



# SSS@

**YOUR FINGERTIPS:**  
WE CONNECT AND PROTECT.



**SOCIAL SECURITY SYSTEM**  
2019 ANNUAL REPORT



## SOCIAL SECURITY SYSTEM

### MISSION

To manage a financially stable social security system which shall promote social justice through savings, and provide meaningful protection and exemplary service to members and their families.

### VISION

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

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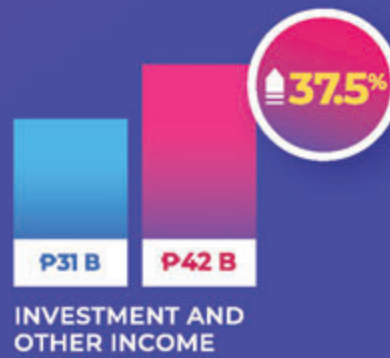
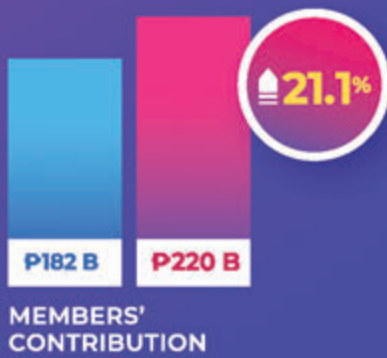




The Social Security System (SSS) commits to fulfill its objective of promoting the welfare of its members and their beneficiaries by improving access to quality social protection through digital transformation. Thus, the affirmation, **“SSS @ YOUR FINGERTIPS: WE CONNECT AND PROTECT.”**



# QUICK FACTS



P178 M disbursed to 15K members from 1K employers

UNEMPLOYMENT BENEFIT



P3 B released to 75K borrowers

PENSION LOAN PROGRAM

2018 RESTATED      2019

# COMPARATIVE HIGHLIGHTS

(Amounts in Million Pesos)

	FOR THE YEAR		INCREASE/(DECREASE)	
	2019	2018 (restated)	Amount	%
<b>CONSOLIDATED</b>				
<b>A. REVENUES &amp; EXPENDITURES</b>				
Revenues	262,365.48	212,454.31	49,911.17	23.5
Members' Contribution	220,379.48	181,917.28	38,462.20	21.1
Investment and Other Income	41,986.00	30,537.03	11,448.97	37.5
Expenditures	206,690.17	189,886.93	16,803.24	8.8
Benefit Payments	196,761.17	180,078.51	16,682.66	9.3
Operating Expenses	9,929.00	9,808.42	120.58	1.2
Net Revenue/(Loss)	55,675.31	22,567.38	33,107.93	146.7
<b>B. ASSETS &amp; RESERVES</b>				
Assets	568,136.19	512,645.68	55,490.51	10.8
Investments	530,600.37	481,329.96	49,270.41	10.2
Property and Equipment	7,329.93	6,089.59	1,240.34	20.4
Others	30,205.90	25,226.14	4,979.76	19.7
Liabilities	12,901.18	13,107.44	(206.26)	(1.6)
Reserves	555,235.01	499,538.24	55,696.77	11.1
<b>SOCIAL SECURITY FUND<sup>1</sup></b>				
<b>A. REVENUES &amp; EXPENDITURES</b>				
Revenues	258,023.24	208,440.88	49,582.36	23.8
Members' Contribution	217,977.50	179,666.12	38,311.38	21.3
Investment and Other Income	40,045.75	28,774.77	11,270.98	39.2
Expenditures	204,950.45	188,071.02	16,879.43	9.0
Benefit Payments	195,104.85	178,356.71	16,748.14	9.4
Operating Expenses	9,845.60	9,714.31	131.28	1.4
Net Revenue/(Loss)	53,072.80	20,369.87	32,702.93	160.5
<b>B. ASSETS &amp; RESERVES</b>				
Assets	527,808.78	474,225.51	53,583.27	11.3
Investments	491,300.97	444,501.58	46,799.40	10.5
Property and Equipment	7,329.93	6,089.59	1,240.34	20.4
Others	29,177.88	23,634.34	5,543.54	23.5
Liabilities	12,895.96	13,098.06	(202.10)	(1.5)
Reserves	514,912.82	461,127.44	53,785.38	11.7
<sup>1</sup> Includes Mortgageors' Insurance Account, Flexid and PESO funds				
<b>EMPLOYEES' COMPENSATION AND STATE INSURANCE FUND</b>				
<b>A. REVENUES &amp; EXPENDITURES</b>				
Revenues	4,342.24	4,013.43	328.81	8.2
Members' Contribution	2,401.98	2,251.17	150.82	6.7
Investment and Other Income	1,940.25	1,762.26	177.99	10.1
Expenditures	1,739.73	1,815.92	(76.19)	(4.2)
Benefit Payments	1,656.32	1,721.81	(65.49)	(3.8)
Operating Expenses	83.40	94.11	(10.70)	(11.4)
Net Revenue/(Loss)	2,602.51	2,197.51	405.00	18.4
<b>B. ASSETS &amp; RESERVES</b>				
Assets	40,327.41	38,420.18	1,907.23	5.0
Investments	39,299.39	36,828.38	2,471.01	6.7
Others	1,028.02	1,591.80	(563.78)	(35.4)
Liabilities	5.22	9.38	(4.16)	(44.3)
Reserves	40,322.19	38,410.80	1,911.39	5.0

Figures may not add up to totals due to rounding.

## MESSAGE FROM THE PHILIPPINE PRESIDENT



MALACAÑAN PALACE  
MANILA

**M**y warmest greetings to the **Social Security System (SSS)** on the publication of its **2019 Annual Report**.

The year 2019 marked a period of transition in SSS history with the passage into law of the Social Security Act of 2018. Through this landmark legislation, the long-term viability of the SSS is ensured and its programs are made more responsive to its members' needs.

The significant change was coupled with a 21% surge in the contribution collection amounting to P220 billion, as well as a 9% increase in benefit payments worth P197 billion. As we look forward to the future, I ask you to remain steadfast in your mandate of providing social protection to over 38 million members against the hazards of disability, sickness, maternity, old age, death, and now including unemployment.

While so much has been achieved over the last year, may you also rise to the challenge of going full speed ahead, especially in delivering prompt and efficient service to our people. I trust that you will remain steeped in the culture of excellence and committed to the improved welfare of every hardworking Filipino, here and abroad.

I wish you all the best.

Handwritten signature of Rodrigo Roa Duterte in black ink.

**RODRIGO ROA DUTERTE**  
President  
Republic of the Philippines

MANILA  
NOVEMBER 2020

# CHAIRMAN'S MESSAGE



Republic of the Philippines  
**DEPARTMENT OF FINANCE**  
Roxas Boulevard Corner Pablo Ocampo, Sr. Street  
Manila 1004

**W**hen President Rodrigo Roa Duterte signed into law the Social Security Act of 2018, the Secretary of Finance became the ex-officio Chairman of the Social Security Commission (SSC), the highest decision-making body supervising the Social Security System (SSS). This report covers the first year of the SSS operating under this new organizational format.

We have set out ambitious goals for the organization. These include reducing the overhead expenses of the SSS and extending its fund life. We seek to ensure a large return from our information technology investments through better online services for our members. We have also set out to review and reinforce the pension fund's public messaging program.

As you know, well-run social safety nets are critical to national development. Keeping the SSS efficient and effective is part of our collective duty to provide our citizens with a dignified retirement in their old age.


I am happy to note that the SSS has made gains in achieving the abovementioned goals. These accomplishments are enumerated in detail in this year's annual report.

To be sure, the SSS will continue to face many challenges. This institution's roadmap towards excellence will be tested by a changing landscape and unfamiliar risks to the insurance sector. I encourage the SSS to further improve its cybersecurity system to better protect its clients.

At the end of the day, we are accountable for every peso that members have entrusted to this fund. We are responsible for securing and growing their contributions. We should assure our people that they can rely on the SSS now and into the long future. We must not let them down.

I am confident that the dedicated professionals of the SSS will continue working hard to better deserve the trust of our people.



  
**CARLOS G. DOMÍNGUEZ III**  
Secretary of Finance  
Chairman, Social Security Commission  
December 2, 2020

## MESSAGE OF THE SSS PRESIDENT & CEO

The path that the Social Security System (SSS) took in 2019 was a remarkably steady, upward course towards better financial stability, with our net revenue leaping by 146.7 per cent to P56 billion from P23 billion in the previous year. Said growth was driven, in particular, by the breakthrough event of the passing and implementation of the new SSS Charter, which paved the way for the expansion of powers of the Social Security Commission, among other reforms, to ensure the long-term viability of the institution.

The year 2019 also marked the 62nd year in service of the SSS and was highlighted by the enhancements in policies, systems and procedures geared towards the increase of fund life, improvement of both service quality and corporate culture, and establishment of accountability. Our theme of **"SSS @ your fingertips: We connect and protect"** sums up the pension fund's long-term desire to further improve its services through full digitalization. Slowly but surely, we are bidding adieu to our manual and paper-based processes. We are gradually embracing digitalization not only to keep abreast of changing times, but also to support our mission-critical functions for the people we serve.







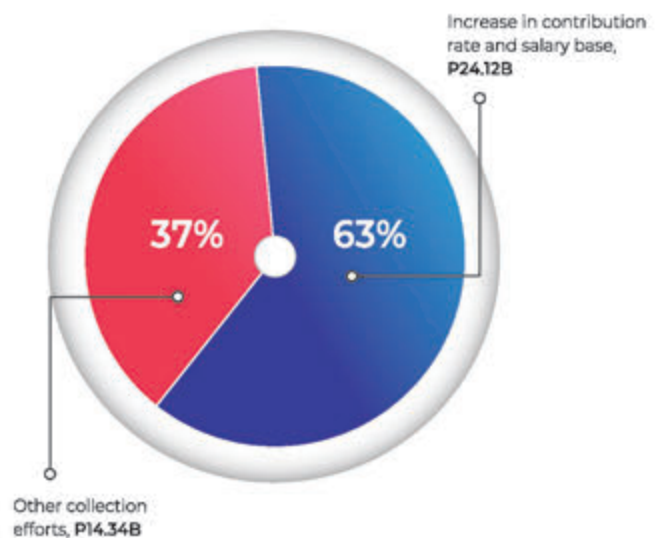
### Sturdy Financial Performance

AMOUNTS IN BILLION PESOS	2019	2018	% Increase
<b>Revenues</b>	<b>262.37</b>	<b>212.46</b>	<b>23.5%</b>
Members' Contribution	220.38	181.92	21.1%
Investment and Other Income	41.99	30.54	37.5%
<b>Expenditures</b>	<b>206.69</b>	<b>189.89</b>	<b>8.8%</b>
Benefit Payments	196.76	180.08	9.3%
Operating Expenses	9.93	9.81	1.2%
<b>NET REVENUE</b>	<b>55.68</b>	<b>22.57</b>	<b>146.7%</b>

For the period January to December 2019, the SSS' total revenue amounted to P262.37 billion, 23.5 percent higher than the total revenue posted last year. Of this total, members' contributions amounted to P220.38 billion or 84 percent, while investment and other income was at P41.99 billion or 16 percent. Members' contribution collection was 21.1 percent higher than previous year's totals.

Investment and other income was 37.5 percent higher than last year's due to the income from real estate properties.

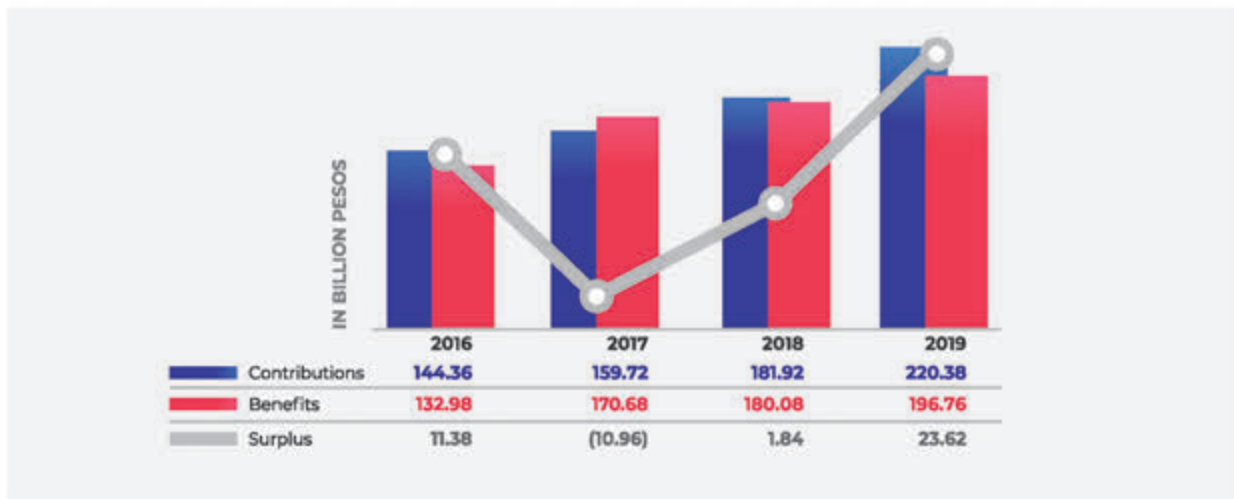
We are glad that members' contribution collection amounted to P220.38 billion, an increase of 21.1 percent over last year, due mainly to the increase in the contribution rate from 11 to 12 percent and the adjustments in the minimum and maximum Monthly Salary Credits (i.e., salary base) from P1,000 to P2,000 and from P16,000 to P20,000, respectively. These provisions from the SS Act of 2018, which was implemented effective April 2019, accounted for 63 percent or P24.12 billion of the increase in contribution collection, while the remaining 37 percent came from other collection efforts undertaken by the SSS.





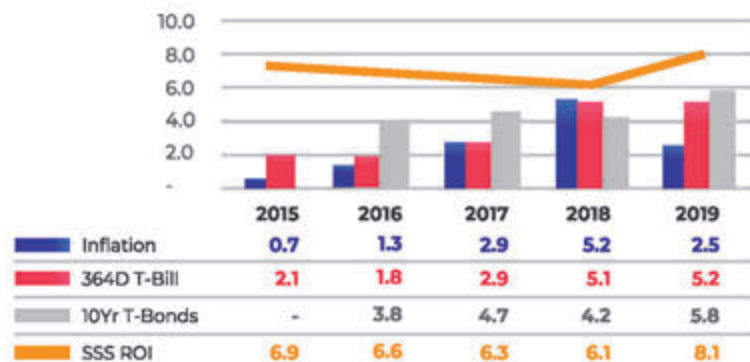
We implemented the Contribution Penalty Condonation Program for employers, increased the number of paying members and improved compliance of employers and members to SS Law, and pursued the coverage of informal sector workers.

The year-end figures in 2019 show a P23.62 billion contribution surplus. The surplus is 1,183.7 percent higher than the recorded figure in 2018. This means that the contribution collection alone was enough to cover the benefit payments in 2019 worth P196.76 billion.



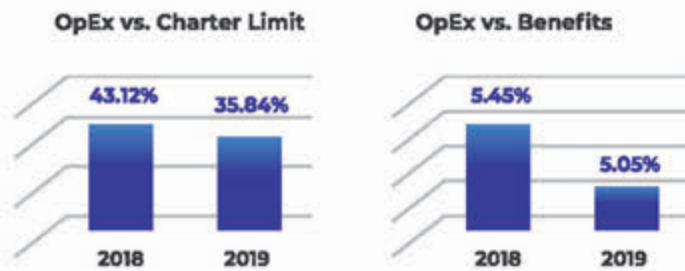
### Market Benchmark Surpassed Anew

Income from government securities, corporate notes and bonds, loans to members, bank deposit and mutual funds posted double-digit gains as compared to the preceding year. In addition, income from real estate properties more than tripled due to the increase in SSS investment properties' valuation while equities posted negative growth rate. The investment effort of SSS managed to yield a significant return on investment (ROI) of 8.1 percent, outpacing the 364-day T-bill rate at 5.2 percent and the Philippine Dealing System (PDS) 10-year T-bonds at 5.8 percent.



### Minimal Operating Expenses Maintained

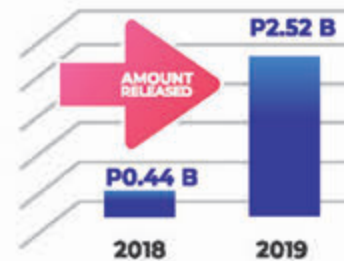
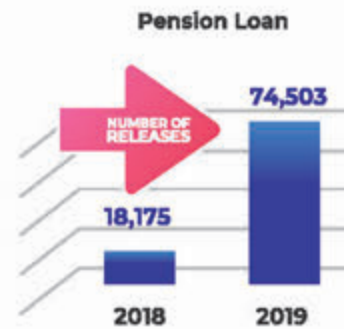
Operating Expenses (OpEx) for 2019 was at P9.93 billion, higher by 1.2 percent than 2018's operating expenses, which amounted to P9.81 billion. The 2019 OpEx is only 35.84 percent of the allowable SSS Charter limit compared to 43.12 percent in 2018.



### Investments Initiatives

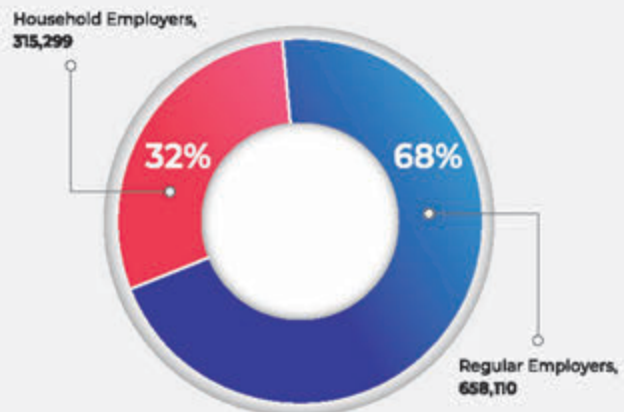
As one of the efforts to achieve its objective: increase the fund life, the SSS deployed P7 billion to five external fund managers and earned P325.41 million from February to December 2019. The P7 billion was deployed to three balanced fund mandates, three pure equity fund mandates, and one pure fixed income fund mandate, with P1 billion allotment to each fund.

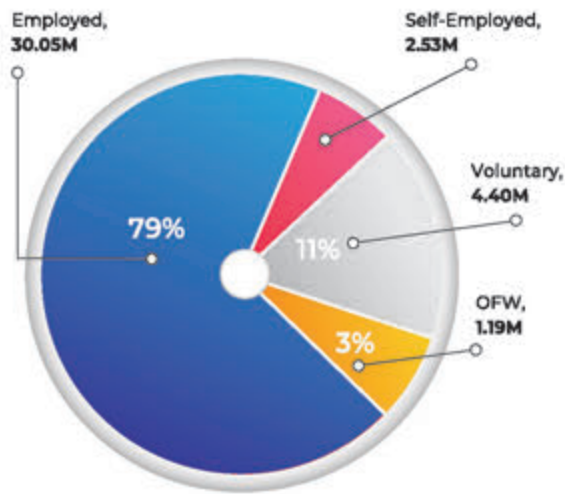
Pension loan releases for 2019 increased by 480.4 percent which amounted to P2.52 billion for 74,503 pensioner-borrowers from last year. The maximum loanable amount was increased to P200,000 in October 2019 from P32,000 since its initial implementation in September 2018.



### Coverage

The number of active employers totaled 973,409 as of December 31, 2019. This consisted of the establishments registered with the SSS that are still operational, including household employers. Sixty-eight percent (68%) are regular employers while the remaining 32% are household employers.





The number of covered members who are eligible to avail at least one benefit has reached 38.17 million as of December 31, 2019. These members are composed of the employed, including householders duly reported by their employers, as well as the self-employed professionals and workers from the informal sector, voluntary members, and OFWs. The number of covered members exclude those with final claim of granted benefits (i.e., retirement, total disability, death or funeral benefit).

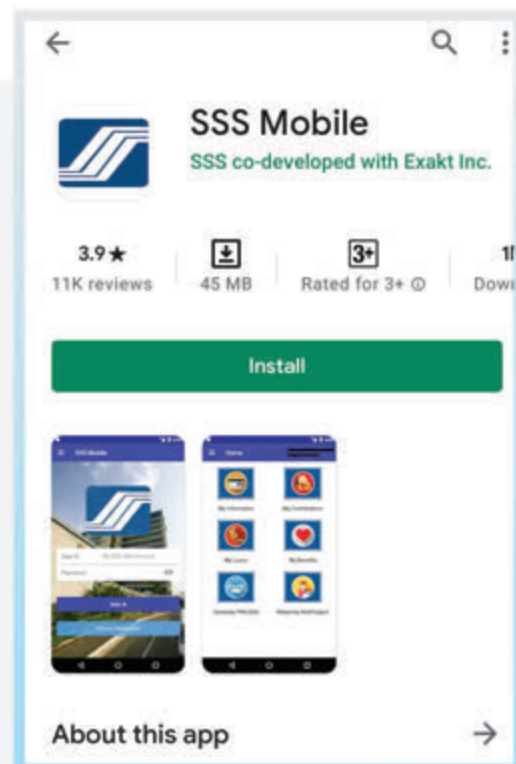
### Local and Foreign SSS Offices

The SSS continues to open new local branches across the country to increase coverage and provide service to its members. In 2019, the SSS opened three new branch offices, in La Trinidad (Benguet), Danao (Cebu) and San Pedro (Laguna), 11 new service offices, and one representative office, bringing the total number of local offices to 321.

The SSS also opened one new foreign representative office (FRO) in New York, USA. This made the total number of foreign offices to 26.

### Digitalization Initiatives

In our continuing quest to improve service quality, we implemented electronic functionalities such as Online Payment with PayMaya through our SSS Mobile App, PRN generation through the Self-Service Express Terminals and various online transactions through our SSS Website like salary loan app, resumption of updating of contact information, online payment with Moneygment and online filing of retirement claim of members 65 years old & above and voluntary members 60 years old & above. The SSS Mobile App downloads increased by 278.8 percent from 824,006 in 2018 to 3.12 million as of December 2019.



We also piloted the expanded e-Centers in 13 branches namely: Diliman, Cubao, Deparo, Dagupan, Makati-Chino Roces, Cainta, Tagaytay, Odiongan, Cebu-NRA, Mandaue, Victorias, Tacurong and Gingoog.



SSS Diliman Branch (Large Branch), sample e-Center

From January to December 2019, the usage of SSS electronic facilities increased by 12.39 million or 25.8% to 60.34 million from the 47.95 million in 2018.

TYPE OF TRANSACTION	JANUARY TO DECEMBER					
	2018			2019		
	MANUAL	ELECTRONIC	TOTAL	MANUAL	ELECTRONIC	TOTAL
Registration	9.97	5.06	15.03	11.32	5.77	17.08
Benefits	6.46	0.25	6.71	6.68	0.34	7.03
Loans Granting	3.04	0.75	3.79	2.31	1.35	3.66
Contribution Collection	1.07	24.59	25.65	0.48	25.00	25.48
Loan Collection	1.54	7.75	9.29	0.78	8.31	9.09
Inquiries	86.10	9.56	95.66	92.50	19.57	112.07
<b>TOTAL</b>	<b>108.18</b>	<b>47.95</b>	<b>156.13</b>	<b>114.07</b>	<b>60.34</b>	<b>174.41</b>
<b>% TO TOTAL</b>	<b>69.29</b>	<b>30.71</b>	<b>100.00</b>	<b>65.40</b>	<b>34.60</b>	<b>100.00</b>

## Customer Service Enhancements

Service excellence has always been one of the top priorities of SSS and we are continuously working to address members' concerns. Complaints monitored by the Member Communications and Assistance Department tremendously decreased by 90.18 percent to 10,550 in January to December 2019 from 107,421 during the same period of 2018 across all complaint service delivery channels such as Call Center, Social Media, Hotline 8888 and email.

We have also launched the SSS Hotline 1455 in October 2019 and pilot-run the Customer Relationship Management System in December 2019.

We have also reinforced our public messaging to inform SSS members and pensioners of the services of the SSS thru various info campaigns such as "Save More, Get More" with parallel messaging "Sa Konting Dagdag-Ipon, Mas Malaking Benepisyo". We also had info campaigns on 22 testimonials showing the benefits given by SSS and its improved services, seven delivery channels in obtaining SSS information, the new contribution schedule as a result of the SS Act of 2018, expanded Maternity Leave Law and various electronic services of SSS. We had 53 Facebook livestream sessions of "UsapangSSS" with a cumulative reach of 10.7 million Facebook subscribers.

## Good Governance Practice

We, at SSS are finding ways to realize our objective to improve corporate culture and establish accountability. To instill quality to our service delivery, we worked hard to make our services better and as a result, 10 branches were recommended in December 2019 for ISO 9001:2015 certification on various processes such as registration and coverage, contributions and loans repayment collection, short-term member loans granting, sickness, maternity and EC benefits, death, disability and retirement benefits and ID capture.



With the hard work and efforts exerted by the men and women of SSS, we wanted to know whether our members are satisfied or not with what we have been doing to better our service. We engaged the services of a third party provider who conducted the customer satisfaction survey that gave the SSS a 92.5 percent net satisfaction rating, thereby exceeding the 90 percent target rating.

## Awards and Recognition

In 2019, the SSS was recognized by the ASEAN Social Security Association (ASSA) for the project "P13.1-B Fund Allocation for the 105-Day Expanded Maternity Leave Law (EMLL) for 2019". The award was under the Insurance Coverage Recognition Award.



Taken from the ASSA webpage

In addition, the SSS was also recognized by the IFC-World Bank Doing Business Team for the SSS' Real-Time Processing of Contribution Program as one of the significant reforms in paying taxes. The recognition was relayed through the Team's letter to SSS dated September 18, 2019.

## Compliance with SS Law

With the approval of the SS Law of 2018 in February 2019, we wasted no time to implement the new provisions of the law. Under the Unemployment Insurance benefit, we have released a total of P177.86 million to 14,895 members from August to December 2019. The SSS also released P6.35 billion worth of maternity benefits to 192,883 qualified female members from March to December 2019, in accordance with the Expanded Maternity Leave Law (EMLL).



## With so much work to do, we did our best!

These accomplishments may not have been possible if not for the full support of the Social Security Commission and the hard work and cooperation of our officers and staff. To our members and their beneficiaries, our employers, pensioners and other stakeholders, thank you for your trust and confidence in SSS.

Mabuhay po tayong lahat.

  
**AURORA C. IGNACIO**  
President and Chief Executive Officer

## ACCOMPLISHMENTS OF THE SOCIAL SECURITY COMMISSION

### Reorganization of the SSC Committees.

The Commission streamlined the number, composition, and functions of SSC committees with the following goals in mind:

- reducing SSS operational expenses,
- extending further the SSS fund life,
- ensuring payback for IT investments,
- expanding E-services and use of modern digital tools to facilitate members' access to services, and
- reviewing and reinforcing the public messaging program.



### Member Service and Welfare.

The Commission approved the following:

- various guidelines on payment of maternity benefits, funeral and death claims processing, use of credit/debit/prepaid (cash card/stored-value card/e-wallet) cards as additional payment form for contribution, loan amortization and other SSS-related payments;
- memoranda of agreement (MOA) enhancements and amendment between SSS and partner banks/ companies in the implementation of various SSS programs (e.g., Pension Loan Program, Unified Multi-Purpose Identification-Automated Teller Machine Card Program), bank disbursement facility, Internet Payment Gateway, Automatic Debit Arrangement;
- revised payment deadlines for contributions and extension of payment deadline for remittance of contributions and salary loan repayments;
- award of procurement contracts for IT resources for members' access to services, renovation [civil, structural, architectural, sanitary, electrical, mechanical and structured cabling works] and construction design of the SSS branches/offices, lease of office space for the relocation and renewal of lease of SSS branches;
- implementation of the Communication Plans on the Updating of Membership Data Record and Enhanced Pension Loan Program, through media placements and conduct of SSS Pensioners' Day;
- Salary Loan releases thru-the-bank via Philippine Electronic Fund Transfer System and Operations Network (PESONet) Disbursement Service Program;





- online or electronic payment of SS contributions, loan amortizations and other SSS-related remittances;
- enhancement of the Pension Loan Program;
- expansion of e-Centers in the branches;
- the Joint DOLE-SSS-CSC IRR of Republic Act No. 11210 entitled "An Act Increasing the Maternity Leave Period to One Hundred Five (105) Days for Female Workers with an Option to Extend for an Additional Thirty (30) Days Without Pay, and Granting an Additional Fifteen (15) Days for Solo Mothers, and For Other Purposes";
- the Circular for the Implementing Guidelines on the Payment of Unemployment Insurance and Involuntary Separation Pay; and
- linkages with Filipino communities abroad/Overseas Filipino workers with the formal opening of SSS Foreign Representative Offices in Vancouver (Canada) and Los Angeles (US), the rationalization of SSS foreign offices, and the signing of the Social Security Agreement between the Republic of the Philippines and the Republic of Korea.

## Coverage and Collection.

The Commission approved the following:

- MOA between SSS and various cooperatives as collecting and non-collecting partner agents;
- accreditation and renewal of accreditation or reaccreditation of mobile money and payments companies and banks as SSS Collecting Agents;
- Policy Guidelines on the Use of Credit/Debit/Prepaid (Cash Card/Stored-Value Card/E-Wallet) Cards as Additional Payment Form for SS Contribution, Loan Amortization and Other SSS-Related Payments;
- Memorandum of Understanding (MOU) between SSS and the Philippine Crop Insurance Corporation pertaining the coverage/membership of self-employed farmers and fisherfolk with SSS and the promotion of SSS programs thereto;
- project initiation for the procurement of the services of a 3rd party to conduct the detailed survey in determining the correct universe for social security coverage and identifying the untapped workforce (e.g., the employed and self-employed) for social security coverage;
- grant of authority to SSS lawyers, who have been designated as sheriffs and deputy sheriffs, to conduct public auction of levied/distrained properties and other activities related to the implementation of the program on Warrant of Distrainment, Levy and Garnishment;
- Revised Guidelines for Accreditation of Remittance and Transfer Companies to Act as Collecting and Paying Agents for SSS;
- Circular on the Guidelines on the Payment of the Maternity Benefits; and
- Revised Guidelines on AlkanSSSy Program and the MOU to be entered between the SSS and the participating Informal Sector Group under the AlkanSSSy Program.

Through the direction of the Commission, the decades-old unremitting collections from a collecting bank was finally resolved, with the payment in full to SSS of more than P500 million.



## Corporate Social Responsibility.

The Commission approved assistance package for SSS members/pensioners who were affected by Typhoon Depression Usman, and the earthquake in Zambales, Eastern Samar and Batanes. To expedite the delivery of assistance, the Commission granted the SSS PCEO with the authority to issue SSS Circular on the provision of usual assistance for SSS members/pensioners in the areas affected by calamities as by the National Disaster Risk Reduction and Management Council.

The SSC also approved the standard MOA between SSS and universities and colleges for the implementation of the Student Internship Program of the SSS. Further, it pledged support and commitment to the "Social Protection Plan" of the Department of Social Welfare and Development.



## Good Governance.

The Commission approved the following:

- the designation of the Compliance Officer for Management with the task of monitoring and overseeing the compliance of SSS units/officers with the audit recommendations of the Commission on Audit and the SSS Internal Audit Services Group and rules and regulations of SSS and pertinent government agencies;
- directive for the submission of the disaster recovery plan involving 100% backup of all SSS applications and data, and the location of the backup center to be outside Metro Manila;
- Guidelines on the Checks and Balances in the Handling of Authority of Account Officers to File and Terminate Cases Before the Prosecutor's Office/Court Against Delinquent/Non-compliant Employers;
- recommendation of awards of procurement projects costing more than P10 million and declaration of failure of bidding due to bidding committee's non-compliance with the prescribed procedures; and position statements to various legislative bills proposed by the Philippine Congress; and
- results of the baseline assessment of the internal control system of the SSS.



## Investments.

The Commission approved the following:

- amendments to the SSS Guidelines on the Accreditation of Domestic Mutual Funds;
- sale of housing-acquired properties and lease of real properties;
- participation in initial public offerings of corporate and bond issuances of private corporations;
- the Revised Guidelines for SSS Investment in Corporate Fixed Income Securities;
- Reforms on the Member Loan Program;
- SSS KLIMAP Investing Policy (Kalikasan, Lipunan at Mabuting Pangangasiwa): Policy on Environment-Social-Governance (ESG) Investing (also known as Sustainable Investing);
- accreditation/re-accreditation/ non-renewal of accreditation of SSS stockbrokers, arrangers/dealers of fixed income instruments and government securities broker/eligible dealers;
- Revised Guidelines for SSS Investment in Corporate Fixed Income Securities, containing the new investment provisions under R.A. No. 11199 or "The Social Security Act of 2018"; and
- Policy revision on foreign currency holdings.



## Quasi-Judicial Function.

The Commission adjudicated cases with respect to coverage, benefits, contributions and penalties thereon and other related matters. It promulgated 157 full Resolutions and 144 Final Orders for writs of execution of SSC Judgments, closed and terminated cases and motions for reconsideration filed by litigants. Through the Office of the Commission Secretary and Executive Commission Clerk, the Commission released 1,786 issuances on the handling and disposition of cases.



## ACCOMPLISHMENTS OF THE SSC COMMITTEES

### Audit Committee

#### A. Audit Reports Monitored and Discussed in 2019

1. Employer Coverage and Employer Delinquency – 30 branches
2. Implementation of the Guidelines on Warrants of Distraint, Levy and/or Garnishment – 30 branches
3. Cash Management/Accounts Telling System – 10 branches
4. Internal Quality Audit on ISO QMS – 23 branches and 70 support units
5. Member Loans Billing, Collection and Posting – 29 branches
6. Pension Loan Program – four branches
7. Validation of Payment of Manpower Services on *Quantum Meruit* Basis
8. Local Procurements – Mindanao West (Zamboanga)
9. Audit of Expired Contracts for Janitorial, Security and HR Services
10. Revolving Fund of Media Affairs Department
11. Use of Leased Premises at HK Sun Plaza
12. Real Time Processing of Contributions for Individual Members
13. Corporate Communications Department
14. Fund Disbursement (SSS Investments, Provident Fund, Procurement of Goods and Services, Member Loans and Benefit Payments)
15. Health Care Department (Health Care Services, Medical Benefits and Revolving Fund)
16. Janitorial Services (Main Office)
17. Procurement Management Review

#### B. Endorsements to the SSC

1. Procurement projects in 2018 on non-compliance with procurement timelines
2. Revolving Fund of the Media Affairs Department
3. Internal Control System of the Social Security System

#### C. Approved the Audit Program for 2020

#### D. 2018 Audit Projects Reported in 2019

1. Service Delivery and Employer Clearances
2. Tri-Media Placements and Contracts
3. SSS Collections thru Metrobank
4. Local Procurements (Baguio, CDO and Bacolod)
5. Repairs and Maintenance of SSS Building
6. Accounts Management System
7. Available for Sale Marketable Securities

### Executive Committee

In 2019, the Committee discussed and resolved the following items:

1. Report on Procurement through the Department of Budget and Management – Procurement Service and/or Philippine International Trading Corporation
2. Project Implementation Monitoring Plan (Catch-Up Plan) for the 4th Quarter of 2019 for the full utilization of the Capital Expenditures Budget



3. Directive to Management to recast the SSS Financial Statements in accordance with the generally-accepted International Standard for Accounting for insurance operations, as SSS is essentially an insurance company

The Committee resolved that SSS may be doing wrong accounting as all contributions were recorded as income and no future liability was recorded. Not all collections for contributions should be recognized as income given the liability that they set in the future. These were based on comments in the report of International Monetary Fund survey regarding bookkeeping practices of insurance companies.

4. Management action relative to SSC approval to lift the freeze hiring policy (Authority to Replace Retired/Resigned/Separated Employees)
5. Guidelines on the checks and balances in the handling of the authority of Account Officers, whereby the Committee endorsed the same to the SSC for approval
6. A universal bank's decades-old unremitted collections to SSS amounting to several hundred million pesos was finally settled
7. Development of the SSS East Triangle Property
8. Putting timelines and anticipating contingencies to prevent delays in procurement contracts
9. In terms of operating cost to benefit ratio or delivery cost, SSS spends P7.00 for every P100.00 benefit paid. The challenge is to lower it to P2.50.

## Information Technology and Collection Committee

### Endorsements to the SSC

1. Deposit pick-up arrangement of 11 SSS tellering branches with Philippine National Bank
2. Opening of 20 new peso accounts with Land Bank of the Philippines and/or Development Bank of the Philippines for real time processing of contributions (RTPC)-compliant collecting partners (CPs) and granting authority to the PCEO to approve opening of new accounts for CPs that will comply with RTPC in the future
3. Confirmation of Memoranda of Agreement (MOA) between SSS and various cooperatives on their accreditation as collecting and non-collecting partner agents
4. Terminal report on the "Special Project on Processing, Monitoring and Consolidation of all Collection Transactions" for submission to the General Accounting Department and uploading to Financial Accounting System
5. Amendments to the agency agreements with the electronic payment collection service with accredited banks and remittance and transfer companies (RTCs)
6. Revised guidelines for accreditation of banks and RTCs to act as collecting and paying agents of SSS
7. Non-renewal of accreditation of several collecting agents
8. Circulars for the Implementing Guidelines on the payment of Unemployment Insurance and Involuntary Separation Pay

9. Revised guidelines and Memorandum of Understanding and other updates on the AlkanSSSyA Program
10. Delegation to the SSS PCEO the confirmation of MOA executed by the SSS signing authority and partner agents for collection and non-collection services
11. Variation Order on the Primary Branch Connectivity Agreement/ Suspension of Work with INNOVE Communications, Inc.
12. Amendment of agreement with PLDT for Multi-Protocol Label Switching Network Services
13. Proposed rationalization of SSS foreign operations
14. Guidelines for accreditation of express delivery providers for the prompt delivery of UMID Cards
15. Accreditation to SSS of non-life insurance companies

## Risk Management and Investments Committee

1. Recommended the policy of collection of outstanding loan amounts of member-borrowers who are 65 years old and above and with 120 contributions by offsetting it against their pension benefits, subject to further study by Management on how to collect from those member-borrowers who are still below 65 years old
2. Established the use of benchmarks per asset class in comparing SSS investment performance
3. Directed Management to study investment opportunities in real properties and foreign currencies
4. Initiated the review of the Member Loan Program and the Policy on Personal Equity Investments of SSS officials and employees
5. Reviewed investment programs and policies, such as the small and mid-capitalization program, Flexi-Fund program, PESO Fund program, and Stop Loss/Cut Loss Policy
6. Invited investment experts to give market briefings
7. Directed Management to carry out a comprehensive review of the SSS experience of investing in mutual funds
8. Endorsed for SSC approval the following:
  - amendments to the SSS Guidelines on the Accreditation of Domestic Mutual Funds
  - sale and lease of several SSS real properties
  - participation in bond issuances of private corporations
  - revised guidelines for SSS investment in corporate fixed income securities
  - enhancements to the Pension Loan Program
  - reforms on the Member Loan Program
  - SSS KLIMAP Investing Policy (*Kalikasan, Lipunan, at Mabuting Pangangasiwa*)
  - revised policy on foreign currency holdings
  - guidelines for the New Voluntary Provident Fund
  - participation in initial public offerings and bond issuances of private corporations



# 2019

## YEAR-IN-REVIEW

Once a humble service office, SSS Ortigas was upgraded to a full-service branch with facility for UMID card applications on January 22. Located at a rent-free space in Robinsons Galleria, SSS Ortigas has a daily average of 1,753 member transactions and is part of Robinsons Land Corporation's (RLC) Lingkod Pinoy Center that offers one-stop-shop government services for the public. Present during the ribbon-cutting ceremony were the executives from SSS and RLC led by SSC Chairperson Aurora C. Ignacio (2<sup>nd</sup> from left), SSS PCEO Emmanuel F. Doooc (2<sup>nd</sup> from right), SSS Ortigas Branch Head Wendelino C. Comboy (leftmost), RLC EVP Faraday D. Go (3<sup>rd</sup> from right), and RLC SVP and General Manager Arlene G. Magtibay (3<sup>rd</sup> from left). Other branch developments in 2019 include the upgrading of SSS Pasay Taft from small to medium branch category; the relocation of SSS Baliuag, SSS Victorias, SSS San Carlos, and SSS NCCC Centerpoint Service Offices (SOs); the expansion of SSS Bais and SSS Dumaguete; and the creation of four SOs namely, SSS Felcris Centrale, SSS Candelaria, SSS La Carlota, and SSS San Miguel.

### JANUARY



### FEBRUARY

Bicol-based Jose Morato Honrado (JMH) Microfinance Inc. officially became the SSS' ally under its Accreditation Program for cooperatives and other organized



groups after a Memorandum of Agreement (MOA) signing held on February 7. As the pension fund's servicing and collecting partner agent, JMH Microfinance Inc. is given the authority to receive and screen SSS claims and applications of its 20,000 members as well as collect their contributions and payments. Leading the MOA signing ceremony were SSS Account Management Group Acting SVP Atty. Antonio S. Argabioso (2<sup>nd</sup> from left) and JMH Microfinance Inc. President Charisma D. Lascota (center).

For its first university job fair participation, SSS teamed up with the Centro Escolar University (CEU) along with 71 other public and private companies in helping CEU graduating students and alumni explore career opportunities and prepare the needed documents for future employment. Held on February 1 at CEU Manila's Student Activity Center, the CEU Job and Career Fair featured information booths from various employers and government institutions such as the pension fund that allowed students to voluntarily register as SSS members and have their SS Numbers issued. Throughout 2019, the SSS participated in other school-based job fairs organized by De La Salle University, Dr. Carlos S. Lanting College, Ateneo de Manila University, Colegio de San Juan de Letran, College of Saint Benilde, Miriam College, STI College, San Beda University, Far Eastern University, St. Paul University QC and Manila, World Citi Colleges, and University of the Philippines.



## MARCH

With the passage of Republic Act (RA) No. 11199 comes the enactment of its relevant Implementing Rules and Regulations (IRR). But prior to full implementation, the SSS conducted three sets of Public Consultations on the IRR—the first held at the City Sports Club in Cebu on March 1 and the other two at the SSS Main

Office in Quezon City on March 4 and May 3 (specifically for OFWs). Consultations serve as a regulatory process by which the public's input on matters affecting them—like the new SS Law—is sought. In 2019, the SSS further intensified information dissemination on RA No. 11199 and its various programs via other education seminars with the Associated Labor Union, Philippine Commission on Women, and Philippine Chamber of Commerce.

## APRIL



Following the 6.1-magnitude earthquake that hit the municipality of Porac, Pampanga in April, the SSS immediately launched a Calamity Assistance Package (CAP) for the short-term and urgent financial needs of its affected members and pensioners. Launched on May 17, the assistance package allowed qualified members to avail themselves of the pension fund's Calamity Loan Assistance Program, three-month advance pension, and Direct House Repair and Improvement Loan. The other CAPs provided by SSS in 2019 were for the earthquake-stricken members and pensioners in Batanes and Mindanao region in August and November, respectively, as well as for the victims of Typhoon Tisoy in December. Photo shows one of Pampanga's earthquake victims getting her SSS benefit cheque.



## MAY

In May 2019, the SSS signed a Memorandum of Agreement (MOA) with SEDPI Development Finance, Inc. to intensify the coverage of workers in the informal sector. With the agreement, SEDPI became accredited and authorized to receive and screen non-collection and collection-related SSS transactions not only of its regular and associate members and their families, but also the voluntary contribution payment transactions of non-SEDPI members. "SEDPI believes that the marginalized sector should be the first to enjoy the benefits of government services," Vince Rapisura, SEDPI President, said in a statement on the occasion of its MOA signing with SSS. "Our partnership with SSS will realize this so that low income groups will benefit from social safety nets of the government," he added.



## JUNE

The SSS and the Department of Environment and Natural Resources (DENR) signed a MOA on June 11, formalizing the SSS membership of 450 job order workers at the DENR's central office. Under the agreement, job order workers will be registered in SSS as self-employed members, while the DENR, as a collecting partner, will remit their monthly SSS contributions through salary deduction as part of the KaltaSSS-Collect Program. Photo shows SSS Large Accounts Division VP and Account Management Group Concurrent Acting Head Antonio Argabioso and DENR Assistant Secretary for Human Resource Development and Legislative Affairs Joan A. Lagunda during the MOA signing held at the DENR Compound, Visayas Avenue, Diliman, Quezon City.

The SSS kicked-off its nationwide campaign against non-compliant employers with the first leg of its simultaneous Run After Contribution Evaders (RACE) Campaign in Mandaluyong City, San Fernando City in Pampanga, Mandaue City in Cebu, and Dipolog City in Zamboanga del Norte on June 14. A number of establishments were visited by the RACE team and posted Show Cause Orders to remind them of their obligations under Republic Act No. 11199 or the Social Security Act of 2018. Three more nationwide simultaneous RACE operations were conducted by SSS until July, namely: the second wave held in Binondo, Cabanatuan, Dumaguete, and Iligan; the third wave held in Parañaque, Batangas, and Koronadal; and the fourth and final wave held in Novaliches, Quezon City, Digos, Davao del Sur, San Fernando, La Union and Tacloban, Leyte.



## JULY

Officials and employees of SSS gathered at the Ramon Magsaysay Hall on July 1 for the ceremonial turnover of leadership between outgoing President and Chief Executive Officer (PCEO) Emmanuel F. Doooc and current PCEO Aurora C. Ignacio. Former SSS PCEO Doooc played a huge role in spearheading the pension



fund's organizational reforms and service improvements, particularly the passage of the SS Act of 2018 that primarily aims to lengthen the fund life of SSS. For her part, PCEO Ignacio previously served as the first woman Chairperson of the SSC. Officially appointed as SSS PCEO on March 28, she now becomes the second female head of SSS since Corazon Dela Paz-Bernardo's term in 2001. Photo shows the two well-respected leaders of the institution, together with some SSC members and SSS executives.



SSS PCEO Aurora C. Ignacio paid a courtesy call with Metropolitan Manila Development Authority (MMDA) Chairperson Danilo Lim at the SSS Main Office in Quezon City on July 18. During the meeting, Ignacio and Lim discussed the coordination between the two agencies for the clearing operations on SSS properties with informal settlers. They also talked about the possible coverage of the job order workers of MMDA through the KaltaSSS-Collect Program. Photo shows SSS PCEO Ignacio meeting MMDA Chairperson Danilo Lim, while inset photo shows (from left) MMDA EDSA Special Traffic and Transport Zone Head Edison "Bong" Nebrija, Ignacio, Lim, and MMDA General Manager Jose Arturo "Jojo" Garcia. (Photos grabbed from [www.manilatimes.net](http://www.manilatimes.net))

On July 30, the SSS signed a Memorandum of Agreement (MOA) with the Philippine Sports Commission (PSC) to ensure the social security coverage of over 1,100 national athletes, coaches, and trainers whom the latter agency funds and supports. Under the agreement, the PSC shall deduct from the allowances of national athletes, coaches, and trainers who are not covered by the Government Service Insurance System, their monthly contributions and remit to SSS. They will be registered as self-employed SSS members and will be entitled to its benefit and loan programs upon meeting the set qualifying conditions. Photo shows (from left) SSS Large Accounts Division VP and Concurrent Account Management Group Acting Head Antonio Argabioso, SSS NCR Operations Group SVP Jose Bautista, SSS PCEO Aurora Ignacio, PSC Chairman William Ramirez, and PSC Commissioners Charles Maxey, Celia Kiram and Arnold Agustin during the MOA signing at the PSC Press Conference Room of the Rizal Memorial Sports Complex in Manila.



## AUGUST

The SSS kicked-off its 62nd anniversary celebration by featuring Bureau of Jail Management and Penology (BJMP) Tagaytay City Jail Persons Deprived of Liberty (PDL) artworks to benefit the latter's Sponsor-A-Release Program. Photo shows (from left) BJMP Tagaytay City Jail Warden J/SINSP Aris Williamere A. Villaester, MM, BJMP CALABARZON Regional Director J/CSUPT Amelia A. Rayandayan,



BJMP Deputy Chief for Operations J/CSUPT Dennis U. Rocamora, SSS EVPs Rizaldy T. Capulong, Judy Frances A. See, and Elmira Alcantara-Resare during the turnover of a 36 x 40-inch artwork donation entitled "Contraband." The SSS featured two other art exhibits in early 2019 titled "Ugat" and "Ugnay Kulay: Paanyaya ng Sining," respectively showcasing the creations of Ms. Rara Carillo and group of artists namely, Jose Hombrebueno, Chris Magbuhos, Eric Mercado, Joey Alambro, Manny Gonzales, Jeffrey Crescini, and Marcel Quezon.

## 2019 BALIKAT NG BAYAN

## SEPTEMBER



The SSS recognized the 2019 top employers in its annual Balikat ng Bayan (BnB) Awards held during the institution's 62nd anniversary celebration. Ryomo Philippines Corporation, Gingoog City Colleges, Inc., and Hitachi Global Storage Technologies Philippines Corp. were named 2019 BnB Top Employers for their utmost support to the pension fund through their strict compliance with the Social Security Act of 2018 and amenability on the ongoing process of digitalization of SSS. Photo shows (from left): SSS SVP Jose Bautista, SSS EVP Judy Frances See, SSS PCEO Aurora C. Ignacio, Hitachi Global Storage Finance Manager Ryan Ibardolaza, Gingoog City Colleges Inc. Finance Coordinator Melissa Apolinar and Assessment Remittance In-charge Paz Gonzales, Ryomo Philippines Corporation Human Resource Administration Supervisor Ma. Melanie Sebastian and Human Resource Administration Assistant Mojica Grace Dequiña, SS Commissioner Diana V. Pardo-Aguilar, SSS VP Helen Abolencia, and SSS Account Management Group Acting Head Atty. Antonio Argabioso during the awarding ceremony on September 12 at the SSS Main Office.



More than 50 cooperatives and associations nationwide joined the SSS on its fourth Multi-Sectoral Forum which aims to promote SSS programs for self-employed workers in the informal sector. Tagged as "SSS: Nakikiisa sa Pagsulong ng Social Protection Para sa mga Manggagawa sa Informal Sector," the event was attended by about 100 representatives from 50 cooperatives, organizations, Local Government Units and National Government Agencies. Among the event highlights was the sharing of best practices of Simbayanan ni Maria Multi-Purpose Cooperative President and Chief Executive Officer Angelita S. Ramos and SEDPI Development Finance Inc. President Mariel Vincent A. Rapisura as SSS-accredited Partner Agents (PAs). Meanwhile, Cooperative Development Authority Executive Director Rey R. Elevazo, CSEE, provided directions during the discussions. Said event was already the fourth multi-sectoral forum conducted by SSS since 2017.

## OCTOBER

In celebration of the Elderly Filipino Week, the SSS held on October 5 at the Ramon Magsaysay Hall its annual Pensioners' Day Program wherein the usual free consultation and medical services, complimentary basic medicines, as well as lectures on health and wellness were provided to the attendees. Making the yearly gathering extra special was the pre-launching of the enhanced Pension Loan Program that offers qualified retiree-pensioners with a higher loanable amount of up to P200,000.00 at a longer payment term. Photo shows Federation of Senior Citizens Association of the Philippines (FeSCAP) President Jorge Banal Sr. (standing, right) raising a question in the open forum.



## NOVEMBER

The SSS was recognized as one of the Philippine Information Agency's (PIA) development partners during the Media and Stakeholders Appreciation Program on November 15. The SSS was awarded a plaque of appreciation for its partnership with the PIA in communicating SSS programs for an informed and empowered Filipino citizenry. Photo shows SSS PCEO Aurora C. Ignacio (3<sup>rd</sup> from left) and SSS Media Affairs Department Head and Public Affairs and Special Events Division Concurrent Acting Head Fernando F. Nicolas (2<sup>nd</sup> from left) receiving the plaque of appreciation from PIA Program Management Division Officer-in-Charge Rhea Kristine J. Cy (leftmost) and Presidential Communications Operations Office Undersecretary for Good Governance, Government-Owned and Controlled Corporations and Finance George A. Apacible (rightmost) during the event held at Sequoia Hotel in Quezon City.



In support of the Bureau of the Treasury (BTr), the SSS hosted a briefing on the Premyo Bonds Program wherein investors can purchase bonds for as low as P500.00 per unit and multiples thereof of up to P10 million. Under the Premyo Bonds Program, bondholders will benefit from its features such as principal protection, fixed interest rates every quarter, and be able to join in quarterly cash reward draws of up to P1 million. Photo shows speakers and representatives from the BTr, Development Bank of the Philippines, LandBank, Chinabank, and SSS with pensioners who attended the event held at the Ramon Magsaysay Hall of the SSS Main Office.

## DECEMBER

The SSS has tapped digital financial services leader PayMaya Philippines, Inc. to allow members to conveniently pay their contributions through the SSS Mobile App. SSS PCEO Aurora C. Ignacio (8<sup>th</sup> from left) and PayMaya CEO Orlando B. Veja (7<sup>th</sup> from right) formally signed the agreement on December 18, making PayMaya as one of the 85 accredited



collecting and paying partners of SSS, 35 of which are already Real-Time Processing of Contributions system compliant. According to PCEO Ignacio, this partnership will ensure members of "fast, convenient and secure way of remitting their hard-earned money for their future contingencies and retirement options to the pension fund."



Delegates from JALA PRT and BPJS Ketenakerjaan of Indonesia visited the SSS headquarters in Quezon City on December 11 for a study visit in order to learn from the pension system, particularly about its programs and policies for domestic workers. JALA PRT and BPJS are involved in actively campaigning for labor and social security rights of domestic workers in their country. The delegates from both organizations were accompanied by some members of the Labor Education and Research, a non-government organization, which hosted their trip to the Philippines.

The SSS has signed a Memorandum of Understanding (MOU) with the Philippine Crop Insurance Corporation (PCIC) on December 19 for the social security coverage of farmers and fisherfolks in the Philippines. Under the MOU, the SSS shall link up PCIC with existing partner



agents, provide information, education and communication materials on SSS programs, as well as conduct briefing and orientation on the value of SSS membership during seminars organized by PCIC. On the other hand, PCIC shall include social security protection as one of the major topics during its briefing/orientation for farmers and fisherfolks. Also, they can refer cooperatives and associations to SSS for coverage and promotional activities of their respective members. Leading the MOU signing were SSS PCEO Aurora C. Ignacio and PCIC President Atty. Jovy C. Bernabe.

## SOCIAL SECURITY ACT OF 2018: THE JOURNEY TOWARDS PERPETUITY

With more than 16 committee and floor hearings participated, eight interpellations succeeded, alongside tons of data gathering and feasibility studies for both the lower and upper chambers of Congress, the Social Security System (SSS) finally has a new charter through the passage of Republic Act No. 11199, or the Social Security Act of 2018, after more than two years in the making.



President Rodrigo Duterte on February 20, 2019 finally signed into law RA No. 11199, thereby amending the 21-year old charter of SSS (RA No. 8282 or the Social Security Act of 1997). The law is akin to a new breath of life for the institution, with provisions that will deliver better social security protection for its members and pensioners, under a more robust and stable pension fund.



But the work did not end on the signing of the law. It was just the middle of the hike. Upon the publication of the law on a newspaper of general circulation on February 18, the SSS team who are still savoring their success on the legislative and executive branches, needed to roll up their sleeves and get back to work for the Implementing Rules and Regulations (IRR) of the law, which was due on June 3 of the same year.

While an omnibus IRR was being drafted, consultations with concerned stakeholders are being held to make sure that their sentiments were heard and that SSS will try to find ways to address the needs and requests of all parties involved.

Among the landmark provisions of the new law are:

- Unemployment or involuntary separation benefits
- Mandatory coverage of Overseas Filipino Workers
- Provident Fund benefits
- Condonation of penalties on delinquent contributions
- Enhanced investment capabilities, statutory investment limits and cumulative ceilings



The legislated contribution rate and new Monthly Salary Credits (MSC) stipulated in SS Act of 2018 will bring the SSS fund life to safe levels to promote an actuarially sound and viable social security institution. Notwithstanding, benefits also increased with the higher MSC. To illustrate, sickness daily allowance of P480 in the old law will increase to P600 under the maximum MSC of P20,000. Monthly pension under the old MSC of P16,000 was only P6,400 but will increase to P8,000 under the SS Act of 2018.

These changes are vital for the SSS to be able to effectively play its role in protecting its members and pensioners in times of contingencies such as sickness, disability, maternity, old age, death and other hazards resulting in loss of income or financial burden.

The law paves the way for a more responsive SSS. Its principal author, Senator Richard J. Gordon, espouses as philosophy the value of "WORK, SAVE, INVEST, PROSPER" to become self-reliant and financially independent.

The journey to provide meaningful social security protection for all Filipinos continues to be challenging but rewarding. With the help and support from both Houses of Congress, labor and employer groups, members and pensioners, the SSS succeeded in crafting a law that truly ensures universal, equitable, and viable social security for all.



## STATEMENT 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, 2019 and December 31, 2018 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.

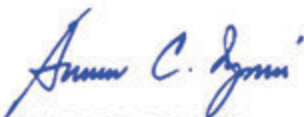
In preparing the financial statements, management is responsible for assessing the Social Security System's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate 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 submit 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

# 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, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of SSS as at December 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Bases for Qualified Opinion*

Philippine Accounting Standards 40 requires that the entity shall apply the chosen accounting policy to all of its Investment Properties (IPs). In the case of SSS, its chosen accounting policy is the fair value model for the measurement of its IPs after recognition. However, some of its Investment Properties (IPs), namely: Pasay City (FCA 7 Site 2), Green Meadows, Quezon City and Pryce Davao (Memorial Park) are measured using the cost model. This resulted in the understatement of both the IP and Reserve Fund accounts by P6.144 billion, P12.174 billion and P16.957 billion in CYs 2017, 2018 and 2019. The balance of the Fair Value Gain – IP-Land account is likewise understated by P4.784 billion in CY 2019.

Further, the account balances of the Loans and Receivables of P101.741 billion in 2019 and P95.112 billion in 2018; investments in Debt Securities at Amortized Cost of P220.764 billion in 2019 and P197.816 billion in 2018, Investments in Debt Securities at Fair Value through Other Comprehensive Income of P52.968 billion in 2019 and P44.412 billion in 2018 or a total of P375.473 billion and P337.340 billion as at December 31, 2019 and 2018, respectively, are misstated by undetermined amounts due to the non-adoption of the provisions of the Philippine Financial Reporting Standard 9 on the recognition and measurement of expected credit losses through a loss allowance.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### *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 PFRSs, 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 SSS'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 SSS or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about 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 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 SSS'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 SSS'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 SSS 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 in Note 36 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of SSS. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, except for the effects of the matters described in the *Bases for Qualified Opinion* section, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

#### **COMMISSION ON AUDIT**



**ELIZABETH M. SAVELLA**  
Supervising Auditor

September 22, 2020

# STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018  
(In Philippine Peso)

	Note	2019	2018 As Restated	At 1 January 2018 Restated
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	3	22,417,193,110	15,440,541,241	26,821,426,070
Financial assets	4.1	64,101,424,305	37,059,803,639	16,847,812,051
Other investments	5	400,000,000	-	-
Receivables	6.1	5,804,339,088	7,587,064,294	5,366,312,531
Inventories	7	95,920,305	169,465,093	191,278,628
Non-current assets held for sale	8	892,154,670	857,806,720	937,654,203
Other current assets	9	15,232,643	13,884,559	12,272,251
		<b>93,726,264,121</b>	<b>61,128,565,546</b>	<b>50,176,755,734</b>
<b>Non-current assets</b>				
Financial assets	4.2	314,927,150,411	310,291,214,588	326,900,661,415
Receivables	6.2	98,797,021,388	92,745,974,541	87,665,909,114
Investment property	10	53,088,685,217	42,140,785,244	39,186,222,532
Property and equipment	11	7,134,302,971	5,854,268,084	4,532,663,850
Intangible assets	12	195,626,815	235,322,104	203,095,350
Other non-current assets	13	267,142,205	249,554,303	347,748,743
		<b>474,409,929,007</b>	<b>451,517,118,864</b>	<b>458,836,301,004</b>
<b>TOTAL ASSETS</b>		<b>568,136,193,128</b>	<b>512,645,684,410</b>	<b>509,013,056,738</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Financial liabilities	14	8,248,289,339	8,203,528,955	8,115,832,971
Inter-agency payables	15	167,940,551	149,959,185	178,002,873
Trust liabilities	16	861,095,497	765,344,734	654,719,321
Deferred credits/Unearned income	17	76,445,128	59,046,852	122,309,497
Other payables	19	1,063,119,232	1,990,631,097	1,743,958,037
		<b>10,416,889,747</b>	<b>11,168,510,823</b>	<b>10,814,822,699</b>
<b>Non-current liabilities</b>				
Financial liabilities	14	765,314,040	45,390,960	37,179,482
Deferred credits/Unearned income	17	355,912,179	382,762,849	409,613,518
Provisions	18	1,313,064,493	1,460,775,506	1,466,426,806
Other payables	19	50,000,000	50,000,000	50,000,000
		<b>2,484,290,712</b>	<b>1,938,929,315</b>	<b>1,963,219,806</b>
<b>TOTAL LIABILITIES</b>		<b>12,901,180,459</b>	<b>13,107,440,138</b>	<b>12,778,042,505</b>
<b>EQUITY</b>				
Reserve fund		581,651,564,402	525,441,040,184	500,743,541,655
Cumulative changes in fair value of investments		(31,501,686,059)	(30,822,445,526)	(8,161,549,950)
Revaluation surplus		4,046,242,799	4,046,242,799	2,879,088,355
Members' equity		1,038,891,527	873,406,815	773,934,173
<b>TOTAL EQUITY</b>	20	<b>555,235,012,669</b>	<b>499,538,244,272</b>	<b>496,235,014,233</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>568,136,193,128</b>	<b>512,645,684,410</b>	<b>509,013,056,738</b>

The notes on pages 38 to 63 form part of these financial statements

## STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2019 and 2018  
(In Philippine Peso)

	Note	2019	2018 As restated
<b>INCOME</b>			
Service and business income	21	248,187,576,776	209,808,600,735
Gains	22	17,167,544,339	6,266,881,956
Other non-operating income	23	1,949,691,850	1,008,100,919
		<b>267,304,812,965</b>	<b>217,083,583,610</b>
<b>EXPENSES</b>			
Benefit payments	24	196,761,172,845	180,078,514,500
Personnel services	25	6,797,376,912	6,531,203,783
Maintenance and other operating expenses	26	2,423,770,163	2,947,696,555
Financial expenses	27	308,761,390	129,166,935
Non-cash expenses	28	5,338,422,615	5,014,978,609
		<b>211,629,503,925</b>	<b>194,701,560,382</b>
<b>PROFIT</b>			
Assistance and Subsidy	29	55,675,309,040	22,382,023,228
		-	185,357,843
<b>Net Income</b>		<b>55,675,309,040</b>	<b>22,567,380,871</b>
<b>Other comprehensive income/(loss) for the period</b>			
Gain on sale of FA at FVTOCI		796,228,646	1,061,192,721
Changes in fair value of FA at FVTOCI		(679,240,533)	(22,660,895,575)
Revaluation surplus		-	1,167,154,445
<b>Other Comprehensive Income for the year</b>		<b>116,988,113</b>	<b>(20,432,548,409)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>55,792,297,153</b>	<b>2,134,832,462</b>

The notes on pages 38 to 63 form part of these financial statements

# STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018  
(In Philippine Peso)

	Cumulative Changes in Fair Value of Investments	Revaluation Surplus	Reserve fund	Members' Equity	Total
<b>BALANCE AT JANUARY 1, 2018</b>	(8,161,549,950)	2,879,088,355	500,362,518,604	773,934,173	495,853,991,182
Adjustment:					
Reclassification of NCAHFS to Investment Property	-	-	330,629,995	-	330,629,995
Accrual of penalty income	-	-	50,393,056	-	50,393,056
<b>RESTATED BALANCE AT JANUARY 1, 2018</b>	<b>(8,161,549,950)</b>	<b>2,879,088,355</b>	<b>500,743,541,655</b>	<b>773,934,173</b>	<b>496,235,014,233</b>
<b>CHANGES IN EQUITY FOR 2018</b>					
Add/(Deduct):					
Members' contribution	-	-	-	141,446,254	141,446,254
Comprehensive income for the year	(22,265,473,660)	1,167,154,444	23,726,302,147	-	2,627,982,931
SSS' share in ECC corporate operating budget	-	-	(202,694,321)	-	(202,694,321)
Withdrawal	-	-	-	(79,960,186)	(79,960,186)
Guaranteed income/Annual incentive benefit	-	-	(19,316,372)	37,986,576	18,670,204
Adjustments:					
Effect of the reclassification of NCAHFS to IP and PPE	-	-	(928,894)	-	(928,894)
Accrual of penalty income	-	-	9,040,128	-	9,040,128
Prior period adjustment-AFSFA from cost to FV	(395,421,916)	-	1,291,864,525	-	896,442,609
Recognition of allowance for impairment on penalty receivable and other non-current assets	-	-	(117,522,150)	-	(117,522,150)
Valuation of reclassified NCAHFS to IP	-	-	10,753,466	-	10,753,466
<b>RESTATED BALANCE AT DECEMBER 31, 2018</b>	<b>(30,822,445,526)</b>	<b>4,046,242,799</b>	<b>525,441,040,184</b>	<b>873,406,817</b>	<b>499,538,244,274</b>
<b>CHANGES IN EQUITY FOR 2019</b>					
Add/(Deduct):					
Members' contribution	-	-	-	187,775,745	187,775,745
Comprehensive income/(loss) for the year	(679,240,533)	-	56,471,537,686	-	55,792,297,153
Other adjustments	-	-	(243,408,494)	-	(243,408,494)
SSS' share in ECC corporate operating budget	-	-	-	(73,847,753)	(73,847,753)
Withdrawal	-	-	(17,604,974)	51,556,718	33,951,744
Guaranteed income/annual incentive benefit	-	-	-	-	-
<b>BALANCE AT DECEMBER 31, 2019</b>	<b>(31,501,686,059)</b>	<b>4,046,242,799</b>	<b>581,651,564,402</b>	<b>1,038,891,527</b>	<b>555,235,012,669</b>

The notes on pages 38 to 63 form part of these financial statements

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018  
(In Philippine Peso)

	Note	2019	2018 Restated
<b>Cash flows from operating activities</b>			
Members' contribution	21	220,379,478,961	181,917,282,180
Investment and other income		15,215,515,112	8,631,856,648
Payments to members and beneficiaries		(196,758,118,302)	(180,078,887,666)
Payments for operations		(10,425,007,710)	(9,326,354,122)
<b>Net cash generated by operating activities</b>		<b>28,411,868,061</b>	<b>1,143,897,040</b>
<b>Cash flows from investing activities</b>			
Loan releases and other investment purchases		(20,841,054,807)	(12,060,994,429)
Acquisition of property and equipment		(484,665,361)	(265,339,600)
Acquisition of intangible assets		(14,000,000)	(75,990,894)
<b>Net cash used in investing activities</b>		<b>(21,339,720,168)</b>	<b>(12,402,324,923)</b>
<b>Cash flows from financing activities</b>			
Corporate operating budget of:			
Employees' compensation commission		(243,408,494)	(202,694,321)
Flexi Fund			
Contribution		159,585,771	114,653,653
Withdrawal		(73,482,268)	(72,930,753)
Guaranteed income		35,712,242	13,572,409
Annual incentive benefit		(1,760,497)	(1,931,638)
PESO fund equity			
Contribution		27,824,489	26,792,600
<b>Net cash used in financing activities</b>		<b>(95,528,757)</b>	<b>(122,538,050)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,976,619,136</b>	<b>(11,380,965,933)</b>
Effect of exchange rate changes in cash and cash equivalents		32,733	81,104
Cash and cash equivalents at beginning of the year	4	15,440,541,241	26,821,426,070
<b>Cash and cash equivalents at end of the year</b>	<b>4</b>	<b>22,417,193,110</b>	<b>15,440,541,241</b>

The notes on pages 38 to 63 form part of these financial statements

# NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(All amounts in Philippine Peso unless otherwise stated)

## 1. GENERAL INFORMATION

The Social Security System (SSS) is an independent and accountable government-owned and controlled corporation which administers social security protection to Filipino workers, local and overseas, and their beneficiaries. Social security provides replacement income for workers in times of death, disability, sickness, maternity, old age, unemployment or involuntary separation and other contingencies.

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.

On February 7, 2019, RA No. 11199 or the "Social Security Act of 2018", was enacted to rationalize and expand the powers and duties of the Social Security Commission (SSC) to ensure the long-term viability of the SSS, repealing for the purpose RA No. 1161, as amended by RA No. 8282, otherwise known as the "Social Security Act of 1997." Among the landmark provisions of the RA No. 11199 are the grant of unemployment or involuntary separation benefits for the first time in the country, the mandatory coverage of Overseas Filipino Workers (OFWs), 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. In pursuit of its policy, a social security program shall be developed emphasizing the value of "work, save, invest and prosper" for a more responsive SSS. The maximum profitability of investable funds and resources of the program shall be ensured through a culture of excellence in management grounded upon sound and efficient policies employing internationally recognized best practices.

Pursuant to Section 9 to 11 of RA No. 11199, coverage in the SSS shall be compulsory upon all private employees including domestic workers not over 60 years of age and their employers, self-employed persons, regardless of trade, business or occupation and sea-based and land-based OFWs. Compulsory coverage of the employer shall take effect on the first day of operation and that of the employee on the first day of employment, while coverage of self-employed person shall take effect upon his registration with the SSS. Non-working spouse of SSS member and Filipino permanent migrants, including Filipino immigrants, permanent residents and naturalized citizens of their host countries may be covered by the SSS on a voluntary basis. Likewise, SSS members separated from employment including OFWs may continue to pay contributions on a voluntary basis to maintain their rights to full benefits.

Under Section 26-B of RA No. 11199, 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 of RA No. 11199, a Provident Fund for the members which will consist of contributions of employers and employees, self-employed, OFW and voluntary members shall be established based on (i) the SSS contribution rate in excess of 12 per cent, or (ii) monthly salary credit in excess of P20,000.00 up to the prescribed maximum monthly salary credit and their earnings, for the payment of benefits to such members or their beneficiaries in addition to the benefits provided for under this Act. A member may contribute voluntarily in excess of the prescribed SSS contribution rate and/or the maximum monthly salary credit, subject to such rules and regulations as the SSC may promulgate. The rate of contributions as well as the minimum and maximum monthly salary credits shall be in accordance with the schedule defined under Section 4.a.9 of the law. The rate of penalty on unpaid loan amortizations shall be determined and fixed by the SSC from time to time through rules and regulations on the basis of applicable actuarial studies, rate of benefits, inflation, and other relevant socioeconomic data.

Under Section 4 of RA No. 8282, voluntary provident funds known as the Flexi-Fund and the Personal Equity and Savings Option (PESO) Fund were established and approved on September 2001 and June 2011, respectively. Membership to the Flexi-Fund is on voluntary basis for those with at least P16,000.00 monthly earnings either covered under existing program or new entrant with requirement of initial contributions to the SSS program. The PESO Fund 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. Each member of the PESO Fund shall be allowed a maximum contribution of P500,000.00 per annum and a minimum of P1,000.00 per contribution. These two funds shall cease upon implementation of the new provident fund provided under Section 4 of RA No. 11199.

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 Government Service Insurance System (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. On March 6, 2019, the ECC in its Board Resolution No. 19-03-05 approved the expanding the coverage of the ECP to the self-employed compulsory members of the SSS.

The summary of the financial performance and result of operations of the funds as at December 31, 2019, are as follows. All inter-fund accounts have been eliminated.

	SSS*	EC-SIF	Total
<b>Total Assets</b>	<b>527,808,783,780</b>	<b>40,327,409,348</b>	<b>568,136,193,128</b>
Liabilities	12,895,962,507	5,217,852	12,901,180,459
Equity	514,912,821,273	40,322,191,396	555,235,012,699
<b>Total Liabilities and Equity</b>	<b>527,808,783,780</b>	<b>40,327,409,348</b>	<b>568,136,193,128</b>



	SSS*	EC-SIF	Total
Income	262,855,837,997	4,448,974,968	267,304,812,965
Expenses	209,783,040,185	1,846,463,740	211,629,503,925
Profit/(Loss)	53,072,797,812	2,602,511,228	55,675,309,040
Net Income	53,072,797,812	2,602,511,228	55,675,309,040
Other comprehensive income for the period	564,699,013	(447,710,900)	116,988,113
<b>Total comprehensive income</b>	<b>53,637,496,825</b>	<b>2,154,800,328</b>	<b>55,792,297,153</b>

\* SSS includes Flexi-Fund, PESO Fund and Mortgage's Insurance Account

The principal office address of SSS is located at East Avenue, Diliman, Quezon City. It has 176 local branches and 144 service and representative offices located in the various cities and municipalities of the country, and 26 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, 2019 (including the comparative financial statements as at and for the year ended December 31, 2018) were approved and authorized for issue by the SSC on August 2, 2020.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation of Financial Statements

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

The accompanying financial statements are prepared in compliance with PFRSs and Philippine Accounting Standard (PAS) issued by the Philippine Financial Reporting Standards Council (PFRSC) and with COA Circular No. 2017-004. PFRS are adopted by the PFRSC from the pronouncements issued by the International Accounting Standard Board and approved by the Philippine Board of Accountancy. COA Circular No. 2017-004 was issued by the COA as partly modified by COA Resolution No. 2020-013 dated January 31, 2020, as guidelines on the preparation of financial statements and implementation of the PFRS by government corporations classified as a commercial public entity.

The PFRS/PAS that were not applied for the reporting period are as follows:

PFRS 15 – Revenues from contract customer is inapplicable to SSS mainly because the relationship of SSS and its members is established by the provision of law per RA 1161, as amended by RA 8282 and RA 1199.

PRFS 9 – Expected Credit Loss (ECL) model for impairment allowance was not yet applied in the reporting period until a rational and sound ECL model is established based on best practices.

PAS1 – Accrual basis of accounting was not applied due to absence of a reliable basis to estimate/determine the income and expense for the following:

- Premium contributions collectible from SSS members
- Unpaid benefit claims filed by SSS members and still in-process

PAS 19 – Employee Benefits are calculated each year by the Actuarial and Risk Management Group, with the assumption that all regular SSS employees would retire by the end of the following year. The salary increases and leave credits are projected up to the retirement year, which are then the basis for the computation of the employee retirement benefits. Computation was not done using the Projected Unit Credit cost method. Full compliance with PAS 19 shall be effected in the following year.

#### 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;
- Financial assets at fair value through other comprehensive income (FVTOCI) are measured at fair value;
- Investment properties are measured at fair value, or at cost in exceptional cases;
- Non-current assets held for sale are measured at the lower of carrying amount or fair value less cost to sell; 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 and Interpretations

#### a. Effective in 2019 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, 2019:

- PFRS 16, Leases – The new accounting model under the standard requires a lessee to recognize an asset (right-of-use asset) and a financial liability to pay rentals (lease liability). The right-of-use asset is treated the same as other non-financial asset and depreciated accordingly, the liability accrues interest. This will produce a front-loaded expense profile as an assumed straight-line 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. This 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.
- Amendments to PFRS 9, Financial Instruments – Prepayment Features with Negative Compensation. The amendments clarify that a financial asset passes the SPP criterion regardless of the event or circumstances that cause the early termination of the contract and irrespective of which party pays or receives reasonable compensation for early termination of the contract. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Gain or loss should be recognized immediately in the 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 2019 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, 2019 but are not relevant to SSS financial statements:

- PFRIC Interpretation 23, Uncertainty over Income Tax Treatments – The interpretation specifically addresses (a) whether an entity considers uncertain tax treatments separately, (b) the assumptions that an entity makes about the examination of tax treatments by taxation authorities, (c) how an entity determines taxable profit (tax loss), tax bases on unused tax losses, unused tax credits and tax rates, and (d) 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.
- PAS 28 (Amendment), Investment in Associate – 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 interest, that in substance, form part of the entity's net investment in an associate or joint venture.
- PAS 19 (Amendments) Employee Benefits – 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.

#### c. 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.

#### d. Effective subsequent to 2019 but not adopted early

Effective for reporting periods 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.
- Relevant new and revised PRFS which are not yet effective for the year ended December 31, 2019 and have not been applied in the preparation of the financial statements.

*Effective for annual period beginning on or after January 1, 2023 (globally); January 1, 2025 (local-Philippines).*

- PFRS 17, Insurance Contracts – PFRS 17 is a comprehensive new accounting standard for insurance 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 specific adaptation for contracts with direct participation features (the variable fee 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. 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 gain 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. 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 principals and interests (SPPI) on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition that are an integral part of the effective interest rate.

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.

### 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 equity 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.

### 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 amount 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 ECL model of PFRS 9 was not yet applied as cited in Note 2.1a.

### 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 Non-current assets held for sale (NCAHFS)

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.

NCAHFS includes real and other properties acquired (ROPA) in settlement of contribution and member/housing/other loan delinquencies through foreclosure or dation in payment. They are initially booked at the carrying amount of the contribution/loan delinquency plus transaction costs incurred upon acquisition. When the booked amount of ROPA exceeds the appraised value of the acquired property, an allowance for impairment loss equivalent to the excess of the amount booked over the appraised value is set up.

Upon in-depth assessment that properties classified as NCAHFS 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.

## 2.7 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.

The fair values of investment properties are determined annually at the reporting date by an independent professionally qualified valuer and internal appraiser. The SSC in its Resolution No. 156-s.2020 approved the interim use of the weighted average valuation comprising 2/3 for external appraisal report and 1/3 for SSS in-house appraisal report.

The Market Data Approach, Cost Approach, and Income Approach were used by the in-house and external appraisers in determining the value of the properties. The market value is estimated using gathered available local market conditions giving considerations to the following: (a) extent, character and utility of the properties, (b) comparable properties which have been sold recently, plus current asking prices, (c) zoning and current land usage in the locality, and (d) highest and best use of the property.

The generally accepted Market Data or Comparative Approach was used to measure land under the investment property based on sales and listings of comparable property registered within the vicinity. Comparisons are premised on the factors of location, land use, physical characteristics of the land and time element. The value of the land with improvements, the appraisers used the Cost Approach taking into account the current cost of reproduction, new of the replaceable property in accordance with the prevailing market prices for materials, labor, contractor's overhead, and profit and fees. In arriving the value of the improvements, the modified quantity survey method was used by analyzing the various construction elements of the property (foundations, columns and beams, flooring walls, roof, etc.). In Income Approach, the value of the property is determined using the interest rates and yields as well as the records of rental income and operating expenses. However, in some cases when there are no comparable listings in the open market, the Value Opinion from other appraisers or the BIR Zonal Valuation are used which are considered as Level 3 valuation.

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.

## 2.8 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 equity 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 labor, 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 P15,000.00 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.

Effective January 1, 2019, the system recognizes the right-of-use (ROU) asset for the right to use the underlying asset over the lease term. ROU asset is initially measured based on the present value of the lease payments plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on which it is located, less any lease incentives received.

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	10-30 years
Land improvements	10 years
Transportation equipment	7 years
Leasehold improvements	10-30 years or the term of lease whichever is shorter
Rights of Use Asset	Term of the lease

Property and equipment except land and construction in progress have residual value equivalent to 10 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.

## 2.9 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.

## 2.10 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 equity 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 and penalty income

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

Effective January 1, 2019, the SSS changed its accounting policy in the recognition of penalty income on the financial assets from cash basis to accrual basis to conform to the standard. The accrued penalty are computed following the approved policy:

- Accrual of penalty 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 penalty are paid for at least 90 days from contractual due date.
- No accrual of penalty is allowed if a loan has become non-performing. Penalty shall be taken up as income only when actual payments are recovered.
- Loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal, interest and penalty is unlikely without foreclosure of collateral, if any.
- All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest and/or penalty are unpaid for more than 90 days have been capitalized, refinanced, or delayed by agreement.

The effect of the change on the Statement of Financial Position and Statement of Comprehensive Income are presented in Note 33.

The interest income per PFRS 9 is interrelated with ECL implementation. Since ECL was not implemented in 2019, the approved accounting policy for interest and penalty income may not necessarily be aligned with PFRS 9.

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 Leases

a. SSS as lessee

The SSS has applied PFRS 16 effective January 1, 2019 using the modified retrospective approach which does not require a restatement of prior period numbers and be reported under PAS 17.

At inception of the contract, the SSS has assessed that the contract contains a lease that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The System assessed whether:

- The contract involves the use of an identified asset – which the asset is physically distinct or represents substantially all the capacity of a physically distinct asset.
- The System has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The System has the right to direct the use of the asset and that it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

As a lessee, the SSS classified leases as an operating lease based on its assessment of non-transferability of the risks and rewards of ownership. The right-of-use asset is recognized for lease contracts that have a term of more than 12 months at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using applicable Bloomberg's PHP BVAL rates. The weighted average BVAL rate used in 2019 is at 6.512%.

In applying PFRS 16 for the first time, SSS has used the following practical expedients permitted by the Standard:

- The use of a weighted average rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases (straight-line basis);
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

SSS has also elected not to reassess existing lease contracts at the date of initial application. Instead, for contracts entered into before the transition date SSS relied on its assessment made applying PAS 17. Accrued rent payable is also adjusted accordingly.

The SSS leases various offices nationwide. Rental contracts are typically made for fixed periods of three to eight years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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.

### 3. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2019	2018
Cash on hand	1,447,893,465	1,164,088,562
Cash in bank	2,305,950,645	1,067,522,659
Cash equivalents	18,663,349,000	13,208,930,000
	<b>22,417,193,110</b>	<b>15,440,541,241</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 1.15 per cent for savings and current accounts and 3.40 per cent to 4.25 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 ranging from P1 million to P25 million in a non-drawing interest bearing current account/savings account (CASA) with each of the banks' servicing branches. As at December 31, 2019, P407 million is being maintained in several banks for such purpose.

Interest income earned from cash in banks and term deposits amounted to P902,991 million and P773,195 million as at December 31, 2019 and 2018, respectively (see Note 21).

### 4. FINANCIAL ASSETS

This account is composed of the following:

#### Current Financial Assets

	2019	2018
<b>Financial assets – at FVTPL</b>		
Government securities	24,825,049,102	19,500,923,120
Equities – stocks	10,388,295,423	8,273,430,506
Externally managed fund	7,325,411,817	-
Investment in mutual fund	3,299,001,358	3,110,972,149
	<b>45,837,757,700</b>	<b>30,885,325,775</b>
<b>Financial assets – at amortized cost</b>		
Investment in bonds – local		
Government bonds	11,942,467,652	439,940,394
Corporate notes	3,045,858,953	2,034,537,470
Corporate bonds	3,275,340,000	3,700,000,000
	<b>18,263,666,605</b>	<b>6,174,477,864</b>
	<b>64,101,424,305</b>	<b>37,059,803,639</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.

Pursuant to Section 26-A of the RA No. 11199, the SSC under its Resolution No. 1035-A dated December 12, 2018 approved the engagement of seven local fund managers who shall be responsible in the fund management and investment of a portion of SSS Investment Reserve Fund. The deployment strategy of funds totaling P7 billion or P1 billion per fund manager are as follows:

#### Balanced Fund Mandate

- Rizal Commercial Banking Corporation
- BPI Asset Management and Trust Corporation
- ATRAM Trust Corporation

#### Pure Equity Fund Mandate

- BPI Asset Management and Trust Corporation
- Metropolitan Bank and Trust Company
- Philequity Management, Inc.

#### Pure Fixed Income Mandate

- BPI Asset Management and Trust Corporation

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. As at December 31, 2019 and 2018, the value of invested funds amounted to P3.299 billion and P3.111 billion, respectively.

The costs of the financial assets are as follows:

	2019	2018
Government securities	24,231,594,697	19,951,638,456
Equities – stocks	12,528,088,526	9,468,377,242
Externally managed fund	7,000,000,000	-
Investment in Mutual fund	3,057,305,012	3,016,108,287
	<b>46,816,988,235</b>	<b>32,436,123,985</b>

#### Non-Current Financial Assets

	2019	2018 Restated
<b>Financial assets at amortized cost</b>		
Investment in bonds – local		
Government bonds	153,179,565,710	149,008,814,267
Corporate bonds	23,928,209,942	20,027,377,483
Corporate notes	5,819,000,000	8,888,666,867
Government notes	510,000,000	510,000,000
	<b>183,436,775,652</b>	<b>178,432,868,417</b>

	2019	2018 Restated
<b>Financial assets-FVTOCI</b>		
Equity securities	78,522,400,585	86,487,880,699
Government bonds	50,104,017,976	42,561,993,428
Corporate notes	2,338,750,686	2,338,750,686
Corporate bonds	825,205,512	489,731,358
	131,490,374,759	131,858,356,171
	314,927,150,411	310,281,214,588

The fair value of the FVTOCI financial asset 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. The cost of the financial assets as at December 31, 2019 and 2018 is P162.992 billion and P162.680 billion, respectively.

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 investments in bonds – local as at December 31, 2019 and 2018 is P10.721 billion and P10.273 billion, respectively (see Note 21).

## 5. OTHER INVESTMENTS

This account consists of Investment in Time Deposit in local currency beginning on August 7, 2019 with original maturities of more than 90 days and earns interest at 3.4 to 3.8 per cent. As at December 31, 2019, the book value of the time deposit amounted to P400 million.

## 6. RECEIVABLES

This account consists of the following:

### Current Receivables

	2019	2018 Restated
Loans and receivable accounts	4,555,352,854	4,290,686,918
Lease receivable	95,566,946	79,479,033
Other receivables	1,188,652,700	3,240,432,649
	5,839,772,500	7,610,598,600

Loan and receivables account are measured at a amortized cost pursuant to PFRS 9. These are composed mainly of the following details:

	2019	2018 Restated
Accounts receivable	269,178	520,551
Interest receivable	4,526,613,949	4,268,925,781
Dividends receivable	27,110,161	16,364,309
Sales contract receivable	1,359,568	4,876,277
	4,555,352,854	4,290,686,918

The interest receivable account represents the accrued interest from various SSS investments such as cash equivalents, notes and bonds, and loans and receivables which are still uncollected as at reporting period. Likewise, the penalty receivable represents the accrual of penalty income from various delinquent loans. These accounts are credited whenever cash is collected, either monthly, quarterly, semi-annually or annually depending on the interest/penalty payment dates of the investment.

Lease receivable is composed of operating lease receivables from contract of lease executed with the lessees amounting to P95.597 million.

Other receivables are composed mainly of the following:

	2019	2018 Restated
Penalty receivable	214,334,106	59,433,184
Receivables – disallowances/charges	22,353,125	25,007,198
Due from officers and employees	387,967	1,073,565
Insurance claims receivable	322,388	939,891
Other receivables	951,455,114	3,153,979,011
	1,188,652,700	3,240,432,649

Impairment loss for loans and receivables is broken down as follows:

	2019	2018 Restated
Interest receivable	19,007,245	20,801,340
Operating lease receivable	6,466,038	3,147
Other receivables	9,960,129	2,729,819
	35,433,412	23,534,306

As at December 31, 2019 and 2018, the accrued interests and penalty are as follows:

	2019	2018
Interest receivable		
Government notes and bonds	3,312,385,641	3,141,712,299
Member loans	884,869,784	819,324,701
Corporate notes and bonds	260,172,272	265,902,709
Cash equivalent and STMP	65,303,878	35,822,708
Housing loans	2,158,030	679,650
Sales contract receivable	1,724,346	5,483,714
	4,526,613,949	4,268,925,781
Allowance for impairment	(19,007,245)	(20,801,340)
	4,507,606,704	4,248,124,441



Dividend receivables are cash dividends earned but not yet received on shares of stocks that are held as FA at FVTPL and FA at FVTOCI.

Sale contract receivables are contracts arising from deed of conditional sale executed by the commission with properties under NCAHFS to various buyer of the said properties

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 and recognized P732.765 million and P739.678 million income as at December 31, 2019 and 2018, respectively (see Note 30.2).

Other receivables consist mainly of Receivable from Sale of Equity Securities amounting to P414.481 million and Receivable – Collecting Banks/Agents (CB/CA) of P533.472 million. Receivable – 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, 2019 and 2018. 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 as of December 31, 2019 was presented net of negative balances totaling to P870.971 million which are mostly prior years unsubmitted collection documents that did not pass the validation criteria. The implementation of the PRN which resulted to the immediate posting to the subsidiary ledger of the members effected the recording of the collections thus decreasing the Receivable from CB/CA.

It also includes Receivable – disallowances/charges that are disallowances in audit due from SSS officials and employees which have become final and executory amounting to P22.353 million and P25.007 million as at December 31, 2019 and 2018, respectively.

The SSC Resolution No. 97-s.2020 dated 12 February 2020 approved the Policy on Revenue Recognition of Penalty Income on Financial Assets from cash to accrual basis, hence the 2018 amounts were restated. The effect of the restatement is shown in Note 33. Penalty receivables are broken down as follows:

	2019	2018 Restated
<b>Penalty Receivable</b>		
Member loans	212,784,241	58,531,491
Housing loans	980,086	517,779
Rental receivable	525,262	383,914
Sales contract receivable	35,517	-
	<b>214,325,106</b>	<b>59,433,184</b>
Allowance for impairment	(9,960,129)	(2,729,819)
	<b>204,364,977</b>	<b>56,703,365</b>

#### Non-Current Receivables

	2019	2018 Restated
Loans and receivable	122,864,082,872	118,056,690,800
Lease receivable	15,738,293	14,037,784
Other receivables	1,316,150,805	1,458,130,489
	<b>124,195,971,770</b>	<b>119,528,858,873</b>

Loans and receivable account is composed of short-term loans, housing loans, commercial and industrial loans to SSS members and pension loans to SSS retiree-pensioners, as follows:

	2019	2018
Member loans	95,294,306,035	91,648,063,718
Pension loans	2,009,395,882	403,955,977
Housing loans	1,737,963,123	2,002,860,547
Commercial and industrial loans	89,509,283	69,778,459
Program member assistance for development entrepreneurship (MADE)	17,219,220	17,219,220
	<b>99,128,393,543</b>	<b>94,141,877,921</b>
Allowance for impairment	(7,113,034,156)	(6,423,556,545)
	<b>92,015,359,387</b>	<b>85,718,321,376</b>

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

	Interest Rate (Per Annum)
Member loans	3.0 to 10.0
Pension loans	10.0
Housing loans	3.0 to 12.0
Commercial and industrial loans (CIL)	2.5 to 14.0
Loan to other government corporation	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) extending the avallment period up to six months from October 2, 2018 to April 1, 2019. The implementing guidelines under Office Order No. 2018-023 covered the member-borrowers affected by previous calamities/disasters with the objective of providing reprieve 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 Restructured 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). As at April 1, 2019, member-borrowers avallment of the re-implemented LRP reached to 658,402 with total loan amount of P11.409 billion and condonable penalty of P9.529 billion.

The Educational Assistance Loan Program amounted to P5.063 billion consisting of the 50:50 SSS and NG shares, has been expended/extended as loans to member-beneficiaries as at December 31, 2019, which is one of the main compositions of the member loans. 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 and penalty on overdue amortization as at December 31, 2019 and 2018 are P509,306 million and P41,326 million, respectively.

For the Pension Loan Program (PLP) launched on September 3, 2018, this aims to provide financial aid to qualified SSS retiree-pensioners by way of providing 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. After 10 months of implementation, the SSC under its Resolution No. 429-s.2019 dated July 5, 2019 approved the enhancement of the program in terms and conditions of the PLP. Among the highlights of the enhancements are as follows: (1) the maximum loan limit increased from P32,000 to P200,000; (2) the age of the retiree-pensioner at end of the month of loan term changed from 80 years of age or below to 85 years of age and below; and (3) longer loan repayment terms from 12 months to 24 months. The monthly amortization of the pension loan shall be deducted from the monthly pension of the pension loan borrower in which the first monthly amortization shall become due on the second month after the loan was granted. Interest rate remains at 10% per annum until fully paid computed on a diminishing principal balance, which shall become part of the monthly amortization. The number of loan releases reached to 74,503 or an increase of 56,328 from 18,175 releases in 2018. As at December 31, 2019 and 2018, total loans amounted to P2.009 billion and P403.956 million, and interest income recognized is P92.192 million and P3.156 million, respectively.

Loan to other government corporation refers to loans from National Home Mortgage Finance Corporation (NHMFC) as mandated under Executive Order (EO) No. 90 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, 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 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 & High Delinquency) – P27.940 billion, Accrued Interest – P11.961 billion and Penalty – P0.614 billion. 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, 2019, the total outstanding obligation of NHMFC is P21.792 billion, broken down as follows:

Principal	<b>9,830,770,308</b>
Interest	<b>11,961,415,991</b>
Penalty	<b>814,940</b>
	<b>21,792,801,239</b>

The Department of Finance (DOF) in its letter to Department of Budget and Management (DBM) dated July 3, 2019 requested for the P10 billion allocation in the 2020 National Budget for the account of NHMFC for the full settlement of the latter's obligation to SSS. Also, the SSC in its Resolution No. 681-s.2019 dated September 25, 2019 approved the condonation of accrued interests and penalties which shall take effect once the request of the DOF to the DBM for provision of an annual Net Lending Program for CY 2020-2022 is approved and allocated by the latter.

Non-current interest receivable includes those originated from Home Guaranty Corporation (HCC) 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 HCC-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 HCC from November 2000 to July 2001. HCC 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 were sent and meetings were conducted between and among SSS, HCC, 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 HCC (Arbitration Case No. 2013-004). Amount subject of arbitration is P5.07 billion covering the principal, HCC-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 HCC-guaranteed interest and compound interest for endorsement to the Office of the President of the Philippines. The Risk Management and Investment Committee (RMIC) in its meeting held on June 27, 2019 directed Management to request clearance from the DOF Secretary to renegotiate for better terms towards settlement of HCC's obligation to SSS. As of December 31, 2019, on-going negotiation between SSS and HCC involving cash repayment of the remaining balance and the compromise agreement within acceptable terms and conditions is being undertaken.

Impairment loss for Non-Current Receivables is composed of the following:

	2019	2018 Restated
Accounts receivable	7,113,034,156	8,423,556,545
Interest receivable	12,707,637,959	12,707,637,959
Loans receivable – other government corporation	4,915,385,154	5,037,978,146
Sales contract receivable	48,548,792	54,781,880
Operating lease receivable	15,738,290	14,037,781
Other receivables	600,606,031	544,912,221
	<b>25,398,950,382</b>	<b>26,782,884,332</b>

Movements in Allowance for Impairment Loss of non-current receivables for CY 2019 are as follows:

	Balance, January 1 (Restated)	Additional Provision	Recovery/ Reversal	Balance, December 31
Loans and receivable	26,223,934,330	47,991,686	1,489,318,953	24,782,606,063
Lease receivable	14,037,781	1,705,324	4,815	15,738,290
Other receivable	544,912,221	74,524,112	18,830,302	600,606,031
	<b>26,782,884,332</b>	<b>124,221,122</b>	<b>1,508,155,070</b>	<b>25,398,950,384</b>

The net impairment provisions as of December 31, 2019 and 2018 amounted to P124.221 million and P1225 billion, respectively and are recognized in the books using the Guidelines in Identifying and Monitoring of Financial Assets and Setting of Allowance for Impairment Losses, which was approved by the SSC under Resolution No. 161-s 2014. However, for the Loan Restructuring Program which ended in March 2019, the impairment provision rate was maintained at 20% (or the rate for substandard accounts that was used since the start of the program).

## 7. INVENTORIES

This account is composed of the following:

	2019	2018
Office supplies inventory	118,590,907	152,711,290
Accountable forms inventory	5,468,002	7,370,318
Drugs and medicines	3,006,051	6,011,906
Medical, dental and laboratory supplies inventory	302,565	3,371,579
	<b>127,367,525</b>	<b>169,465,093</b>
Allowance for impairment	<b>(31,447,220)</b>	-
	<b>95,920,305</b>	<b>169,465,093</b>

Supplies and materials issued and recognized as expense during CYs 2019 and 2018 amounted to P168.091 million and P212.186 million, respectively (see Note 26). The amount of written-down inventories which have become obsolete in CY 2019 amounted to P31.447 million.

## 8. NON-CURRENT ASSETS HELD FOR SALE

This account is composed of the following:

	Land	Building	Acquired assets/ Registered	Total
Carrying amount, January 1, 2019	7,831,838	526,020,315	345,370,840	879,022,793
Accumulated impairment loss	-	(491,840)	(20,724,233)	(21,216,073)
<b>Net carrying amount, January 1, 2019</b>	<b>7,831,838</b>	<b>525,528,476</b>	<b>324,646,606</b>	<b>857,806,720</b>
Additions	-	582,660	346,072,715	346,655,375
Transfer	-	-	(16,036,590)	(16,036,590)
Disposals	(5,000,128)	-	(280,906,270)	(285,906,398)
Impairment (loss)/recovery	-	491,840	(10,856,277)	(10,364,437)
<b>Net carrying amount, December 31, 2019</b>	<b>2,831,510</b>	<b>526,602,975</b>	<b>362,820,185</b>	<b>892,154,670</b>

	Land	Building	Acquired assets/ Registered	Total
Net Carrying amount, January 1, 2018, as reported	189,024,930	596,729,329	583,132,865	1,368,887,124
Reclassification to IP	(121,895,867)	(8,670,000)	(300,467,054)	(431,232,921)
<b>Restated Net carrying amount, January 1, 2018</b>	<b>67,129,063</b>	<b>587,859,329</b>	<b>282,665,811</b>	<b>937,654,203</b>
Additions	-	-	346,871,393	346,871,393
Transfer	(60,326,986)	(5,883,155)	(13,737,020)	(79,947,161)
Disposals	(245,700)	(82,271,610)	(268,313,504)	(350,830,814)
Impairment (loss)/recovery	1,075,262	25,823,911	(22,840,073)	4,059,100
<b>Restated Net carrying amount, December 31, 2018</b>	<b>7,831,838</b>	<b>525,528,475</b>	<b>324,646,607</b>	<b>857,806,720</b>
<b>Restated Net carrying amount, December 31, 2017</b>	<b>67,129,063</b>	<b>587,859,329</b>	<b>282,665,811</b>	<b>937,654,203</b>

The non-current asset held for sale (NCAHFS) is measured at the lower of carrying amount and fair value less cost to sell. The fair value is measured based on the assessment of internal/external expert, non-recurring and is level 2 and 3 based on the level of fair value hierarchy. As at December 31, 2019, the impairment loss of P14.715 million and recoveries/reversals of impairment of P4.869 million are recognized in profit or loss. This also includes impairments on the Sales Contract Receivables that were reverted back to Acquired assets/Registered account amounting to P0.518 million.

Had there been no impairment, the carrying amount of the NCAHFS as at December 31, 2019 and 2018 are as follows:

	2019	2018 Restated
Land	2,831,510	6,556,376
Building	526,111,136	499,704,564
Acquired assets/Registered	373,776,463	347,486,679
	<b>902,519,109</b>	<b>853,747,619</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 includes 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, 2019, SSS has sold 401 properties through cash and instalment bases generating gain on sale of P221.227 million.

NCAHFS/ROPA can be leased out momentarily while waiting for its sale to maximize its potential income. As at December 31, 2019, 222 ROPA properties with a total book value of P30.055 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, 2019 and 2018 for these ROPA amounted to P41.706 million and P26.480 million, respectively.

The following NCAHFS properties, which were not sold for more than five years even with continuous marketing efforts except for NCAHFS-ROPA-Registered, are reclassified to Investment Property:

Properties	Carrying Amount
NCAHFS - ROPA – Land	121,895,868
NCAHFS - ROPA – Building	8,870,000
NCAHFS - ROPA – Acquired Assets	78,315,038
NCAHFS - ROPA – Registered	261,580,466
	<b>470,661,372</b>

## 9. OTHER CURRENT ASSETS

This account is composed of the following prepayments:

	2019	2018
Prepaid rent	11,472,281	10,685,347
Advances to contractors/suppliers	3,000,000	3,000,000
Prepaid insurance	420,314	336
Other prepayments	340,048	198,876
	<b>15,232,643</b>	<b>13,684,559</b>

Advances to contractors/suppliers represent cash deposit to Procurement Service (PS)- PhilCEPS intended for the Government Fares Agreement (GFA). The GFA is an initiative of the Department of Budget and Management and the PS-PhilCEPS 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. Other prepayments which consist mainly of withholding tax at source is a creditable withholding tax from rental or other services deducted by an entity designated by BIR as authorized agent.

## 10. INVESTMENT PROPERTY

This account is composed of the following:

	Land	Building	Development Cost	Total
Fair value, January 1, 2019	36,311,377,358	5,819,722,048	9,685,838	42,140,785,244
Transfer	16,036,590	(45,969,000)	-	(29,932,410)
Fair value gain (loss)	11,177,059,478	(199,227,095)	-	10,977,832,383
Fair value, December 31, 2019	47,504,473,426	5,574,525,953	9,685,838	53,088,685,217
	Land	Building	Development Cost	Total
Fair value, January 1, 2018, as previously reported	32,872,755,777	5,541,918,000	9,685,838	38,424,359,615
Reclassification from NCAHFS	757,512,917	4,350,000	-	761,862,917
Restated Fair value, January 1, 2018	33,630,268,694	5,546,268,000	9,685,838	39,186,222,532
Transfer	13,737,019	-	-	13,737,019
Fair value gain (loss)	2,667,371,645	273,454,048	-	2,940,825,693
Restated Fair Value, December 31, 2018	36,311,377,358	5,819,722,048	9,685,838	42,140,785,244
Restated Fair Value, December 31, 2017	33,630,268,694	5,546,268,000	9,685,838	39,186,222,532

The total costs of investment property as of December 31, 2019 and 2018 is P10.770 billion.

The fair value of investment property is determined based on the Cost and Market Approach methods performed by independent appraisers and in-house appraisers, non-recurring and is Level 2 and 3 based on the level of fair value hierarchy. 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.

Some IPs were measured at cost model because the fair value cannot be determined reliably due to legal cases still pending with RTC-Makati and Supreme Court for the FCA 7, Memorial Lots and Green Meadows properties, respectively (Note 37).

As at December 31, 2019		
Investment Property	Book Value	Estimated Appraised Value
Pasay City (FCA 7 Site 2)	2,624,825,000	18,155,039,800
Pryce - Memorial Lots	446,555,000	656,199,450
Green Meadows	120,379,000	1,338,330,152
	<b>3,191,759,000</b>	<b>20,149,569,202</b>

The appraised value was not used due to the fact that the appraisers did not include in their valuation the effect of the pendency of legal cases on the said properties. Thus, the fair value cannot be ascertained. The fair market value for the said properties consists of the following:

Investment Property	2019	2018	2017
Pasay City (FCA 7 Site 2)	18,155,039,800	13,799,080,000	8,249,450,000
Pryce - Memorial Lots	656,199,450	409,948,028	580,096,500
Green Meadows	1,338,330,152	1,156,972,100	506,258,890
	<b>20,149,569,202</b>	<b>15,366,000,128</b>	<b>9,335,805,390</b>

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

	2019	2018 Restated
Net gain on fair value adjustment	10,977,832,382	2,940,825,693
Rental income	683,122,051	702,943,572
Penalty on rentals	5,362,127	1,543,977
Direct operating expenses	(111,587,958)	(65,653,288)
Impairment loss	(7,901,974)	(8,578)
	<b>11,546,826,628</b>	<b>3,579,651,378</b>

The rentals or sale proceeds on the investment property are subject to the restriction provided under Sections 25 and 26 of the Social Security Law, which states that 10 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, 2019, there are no investment properties sold.

Direct operating expenses incurred for investment properties generating revenue through lease as at December 31, 2019 and 2018 is P112.832 million and P52.944 million, respectively.

## II. PROPERTY AND EQUIPMENT - NET

This account is composed of the following:

	Land	Land Improvement	Buildings and Building/Leasehold Improvements	Right of Use asset	Furniture and Equipment, Transportation Equipment, Computer Hardware and Others	Construction in progress	Total
<b>Gross carrying amount</b>							
January 1, 2019	4,543,368,645	19,340,319	1,496,083,246	-	3,014,880,939	47,062,148	9,120,735,297
Additions	-	-	-	1,136,766,737	551,855,889	23,109,965	1,711,732,591
Transfers	-	-	57,065,387	-	-	(11,096,387)	45,969,000
Retirement/cancellations/disposal/adjustments	-	-	(41,411,825)	(6,404,306)	(48,878,750)	(815,579)	(95,510,480)
<b>December 31, 2019</b>	<b>4,543,368,645</b>	<b>19,340,319</b>	<b>1,511,736,808</b>	<b>1,130,362,431</b>	<b>3,519,858,077</b>	<b>58,260,148</b>	<b>10,782,926,428</b>
<b>Accumulated depreciation</b>							
January 1, 2019	-	10,837,324	909,216,108	-	2,236,542,613	-	3,156,396,045
Depreciation Expense	-	1,053,881	44,765,621	220,543,525	200,617,504	-	466,980,531
Transfer	-	-	-	-	-	-	-
Retirement/cancellations/disposal/adjustments	-	-	(42,199,487)	(1,065,264)	(41,559,557)	-	(84,824,288)
<b>December 31, 2019</b>	<b>-</b>	<b>11,691,205</b>	<b>911,782,262</b>	<b>219,478,261</b>	<b>2,395,600,566</b>	<b>-</b>	<b>3,538,562,288</b>
<b>Accumulated Impairment loss</b>							
January 1, 2019	-	1,137,050	108,934,119	-	-	-	110,071,169
Transfer	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-
<b>December 31, 2019</b>	<b>-</b>	<b>1,137,050</b>	<b>108,934,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,071,169</b>
<b>Per cost model, December 31, 2019</b>	<b>4,543,368,645</b>	<b>6,512,065</b>	<b>491,020,427</b>	<b>910,884,170</b>	<b>1,124,257,517</b>	<b>58,260,148</b>	<b>7,134,302,971</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, 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>4,543,368,645</b>	<b>19,340,319</b>	<b>1,496,083,246</b>	<b>-</b>	<b>3,014,880,939</b>	<b>47,062,148</b>	<b>9,120,735,298</b>
<b>Accumulated depreciation</b>							
January 1, 2018	-	8,724,160	864,023,972	-	2,134,567,504	-	3,007,335,656
Depreciation Expense	-	814,804	42,911,640	-	168,714,130	-	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>-</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	-	188,899	(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>-</b>	<b>110,071,169</b>
<b>Per cost Model, December 31, 2018</b>	<b>4,543,368,645</b>	<b>7,565,945</b>	<b>477,933,019</b>	<b>-</b>	<b>778,338,326</b>	<b>47,062,148</b>	<b>5,854,268,084</b>

Among the property and equipment, only land is subject to revaluation which was made by an independent appraiser in December 2018. 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, 2019 and 2018 is P4.046 billion and is not subject to any appropriations as at end of the reporting period.

If land were stated at the historical cost basis, the carrying amount as at December 31, 2019 and 2018 is P534.062 million.

Rental income from a portion of five property and equipment under a cancellable lease agreement as at December 31, 2019 and restated December 31, 2018 is P7.937 million and P10.183 million, respectively, were included in the Statements of Comprehensive Income. The portion under lease cannot be sold separately and insignificant, thus, remains as Property and Equipment.

The SSS recognizes the Right-of-Use Asset (ROU) for the right to use the underlying leased asset. As at December 31, 2019 the carrying amount of the ROU asset is P910.884 million. ROU assets are depreciated each year on a straight-line over the term of the lease (see Note 14).

As at December 31, 2019 and 2018, the total carrying amount of fully depreciated property and equipment that are still in use are P71.833 million and P38.087 million, respectively.

## 12. INTANGIBLE ASSETS - NET

This account is composed of the following:

	2019	2018
<b>Cost</b>		
Balance, January 1	805,412,631	733,191,548
Additions	14,000,000	90,586,599
Transfers/adjustments	-	(18,385,516)
Retirement/disposals/cancellation	(27,844,602)	
Balance, December 31	791,568,029	805,412,631
<b>Accumulated amortization</b>		
Balance, January 1	494,262,300	454,267,971
Amortization for the period	53,695,288	39,994,329
Retirement/disposals/cancellation	(1,912,374)	
Balance, December 31	546,045,214	494,262,300
<b>Accumulated impairment loss</b>		
Balance, January 1	75,828,227	75,828,227
Retirement/disposals/cancellation	(25,932,227)	
Balance, December 31	49,896,000	75,828,227
<b>Per Cost Value Model, December 31</b>	<b>195,626,815</b>	<b>235,322,104</b>

Intangible assets with definite and indefinite life include both computer software and licenses. The carrying amount of intangible assets with indefinite life as of December 31, 2019 and 2018 is P60.699 million. All intangibles with definite lives are amortized either over a period of five years or with 20 per cent annual amortization rate. As at December 31, 2019 and 2018, the total carrying amount of fully depreciated/amortized intangible assets that are still in use are P477.212 million and P471.653 million, respectively.

## 13. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	2019	2018 Restated
Deposits	92,177,631	85,601,716
Other assets	285,493,590	279,149,683
	377,671,221	364,651,399
Accumulated impairment - other assets	(110,529,016)	(115,097,096)
	267,142,205	249,554,303

Other assets account consists of fire insurance premium (FIP) and mortgage redemption insurance (MRI) advanced by SSS for properties mortgaged to the SSS.

## 14. FINANCIAL LIABILITIES

This account is composed of the following:

	2019	2018
<b>Current financial liabilities</b>		
Accounts payable	6,161,118,482	6,186,290,167
Accrued expenses	1,891,812,205	2,017,238,788
Lease liability	195,358,652	-
	8,248,289,339	8,203,528,955
<b>Non-current financial liabilities</b>		
Operating lease payable	-	45,390,960
Lease liability	765,314,040	-
	765,314,040	45,390,960
	9,013,603,379	8,248,919,915

Accounts payable and accrued expenses comprise of SSS' obligations payable to members, suppliers, employees and officials and refund to member-borrowers for loan overpayments.

Non-current financial liabilities represent rent payables for lease contracts entered by the SSS as of December 31, 2018 and for 2019, it represents the lease payable for the right to use the underlying leased asset up to the end of the lease contract in accordance with PFRS 16 as follows:

	2019
Beginning Balance, January 1, 2019	-
Setup/Additions	1,136,766,737
Lease Payments	(83,183,897)
Retirement/Cancellation/Adjustments	(92,910,348)
Ending Balance, December 31, 2019	960,672,692
Current lease liabilities	195,358,652
Non-current lease liabilities	765,314,040

The associated right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized as shown in the table below. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	Amount
Beginning balance, January 1, 2019	-
Setup/Additions	1,136,766,737
Retirement/Cancellation/Adjustment	(5,339,042)
Depreciation	(220,543,525)
Ending Balance, December 31, 2019	910,884,170

SSS as a lessee maintains 145 lease contracts with variable terms ranging from more than one year to 10 years that are recognized as asset and liability, while 11 contracts with term of less than one year are recognized as operating expense.

As at December 31, 2019 and 2018, the total rent payout amounted to P153.568 million and P259.116 million, respectively (see Note 29).

## 15. INTER-AGENCY PAYABLES

This account is composed of the following:

	2019	2018
Due to BIR	81,074,602	61,409,510
Due to GSIS	74,523,169	72,227,332
Due to PhilHealth	7,052,448	6,397,490
Due to Pag-IBIG	5,290,331	4,876,071
Due to SSS	-	5,048,522
Due to LGUs	-	260
	<b>167,940,551</b>	<b>144,910,403</b>

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 2020. 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.

## 16. TRUST LIABILITIES

This account is composed of the following:

	2019	2018
Trust liabilities	462,395,219	387,608,609
Guaranty/security deposits payable	230,385,454	237,903,681
Customers' deposits payable	168,314,824	139,832,464
	<b>861,095,497</b>	<b>765,344,734</b>

Trust liabilities consist of the following:

	2019	2018
Funds held in trust -		
Officials and employees	410,245,623	352,382,314
Borrowers and other payors	33,128,217	3,717,714
Suppliers and creditors	4,637,210	4,482,820
SSS Provident fund and Medical Insurance	3,378,624	3,036,658
Flex-fund	10,268,696	8,508,199
Dividends - stock investment loan program	649,767	15,501,904
Educational loan fund - DECS	87,082	-
	<b>462,395,219</b>	<b>387,608,609</b>

Funds held in trust (FHT) from officials and employees includes among others the amounts deducted from their separation/retirement claims for the benefits received but subsequently disallowed in audit which as at December 31, 2019 and 2018, amounted to P380.554 million and P315.400 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 Supreme Court decision should be in favor of SSS and its employees, the amount withheld from these retired employees will be returned in full.

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.

## 17. DEFERRED CREDITS/UNEARNED INCOME

This account is composed of the following:

	2019	2018
Current:		
Deferred credits - output tax	1,143,797	1,098,026
Unearned rental income	75,301,331	57,948,826
	<b>76,445,128</b>	<b>59,046,852</b>
Non-current:		
Unearned income-unrealized gain-GBond	355,912,179	382,762,849
	<b>432,357,307</b>	<b>441,809,701</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.

## 18. PROVISIONS

The accrued retirement benefits of employees as at December 31, 2019 and 2018 are as follows:

	2019	2018
Leave benefits payable	1,003,172,055	564,916,238
Retirement gratuity payable	28,691,057	641,074,473
Other provisions	281,201,381	254,784,795
	<b>1,313,064,493</b>	<b>1,460,775,506</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, 2019, there were 2,420 employees who availed of the monetization of leave credits with total amount of P123.953 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, 2019, 149 employees were given RIA in the total amount of P24.811 million.

The provision is calculated each year by the Actuarial & Risk Management Group (ARMG), with the assumption that all regular SSS employees would retire by the end of the following year. The salary increases and leave credits are projected up to the retirement year, which are then the basis for the computation of the employee retirement benefits.

## 19. OTHER PAYABLES

This account is composed of the following:

	2019	2018
Current	1,063,119,232	1,990,631,097
Non-current	50,000,000	50,000,000
	1,113,119,232	2,040,631,097

The other payables - current: portion represents the undistributed collections, are as follows:

	2019	2018
Member loans (ML) collection	883,045,940	1,762,462,284
Undistributed collection	33,059,838	73,568,465
OFW collections	89,087,523	89,131,581
Sales contract receivable	49,233,771	46,848,029
Rental Receivable	8,679,434	-
Real estate loans collection	9,553	18,620,738
Employees' housing loan program	3,173	-
	1,063,119,232	1,990,631,097

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 balance of unposted collections decreased to P883.046 million because the SSS has undertaken various efforts to address the posting issues and expedited the reconciliation process through (1) enhancing computer programs and systems, (2) continuous sending and monitoring of No Collection Lists and Unbalance Transactions to branches, (3) regular clean-up of unpostables and reconciliation and (4) improved frequency of generating the Actual Distribution of payments in the electronic Loan Management System (e-LMS) on a semi-monthly basis.

On the other hand, the modules in the e-LMS aid in the management of the undistributed collections on member loans. Billing and collection module hastened posting of payments and minimized 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.

## 20. EQUITY

The SSS Equity is composed of the following:

	2019	2018
Reserve fund	581,651,564,402	525,441,040,184
Revaluation surplus	4,046,242,799	4,046,242,799
Members' equity	1,038,891,527	873,406,815
Cumulative changes in fair value of investments	(31,501,686,059)	(30,822,445,526)
	555,235,012,669	499,538,244,272

The Reserve Fund as at December 2018 was restated to reflect the effect of the change in accounting policy set out in Note 2.11b, on the recognition of penalty income on ML, HL, SCR and rental receivable from cash to accrual basis, reclassification of NCAHFS to IP and other prior period adjustments, as follows:

	2018 Restated
Balance at December 31, 2018, as reported	498,358,507,166
Reclassification of NCAHFS to IP	
At the beginning of January 1, 2018	330,629,995
During the year of 2018	10,753,465
	341,383,460
Accrual of penalty income	
At the beginning of January 1, 2018	50,393,056
During the year of 2018	9,040,128
	59,433,184
Prior period adjustment	
Available for sale financial assets from cost to fair value measurement	896,442,812
Impairment of penalty receivables and other non-current assets	(117,522,150)
<b>Balance at December 31, 2018, as restated</b>	<b>499,538,244,272</b>

*Investment Reserve Fund (IRF)*

The Investment Reserve Fund as at December 31, 2019 and restated 2018 is P550.835 billion and P495.139 billion, respectively.



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 that 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 to earn an annual income not less than the average rate of treasury bills or any other acceptable market yield indicator in any or in all of the undertaking, under such rules and regulations as may be prescribed by the SSC.

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: 60 per cent in private securities, 5 per cent in housing, 30 per cent in real estate-related investments, 25 per cent in short and medium-term member loans, 30 per cent in government financial institutions and corporations, 15 per cent in any particular industry and 7.5 per cent in foreign-currency denominated investments, 5 per cent in private-sponsored infrastructure projects without guarantee, 5 per cent in private and government-sponsored infrastructure projects with guarantee, 5 per cent in private and government-sponsored infrastructure projects.

As at December 31, 2019, all investment categories are within the SSS charter limits of the RA 11199.

#### Long-Term Viability of the Philippine Social Security System

The Social Security Act of 2018 requires the SSS Actuary to submit a valuation report every three years (every four years, in previous law) 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.

The recent actuarial valuations have shown some improvements in the projected fund life, i.e., from the fund life lasting up to 2031 in the 2003 Actuarial Valuation, it extended to 2042 in the 2015 Valuation. However, 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 reserve fund is lower than the liability (the difference between the present value of future benefits and operating expenses, and the present value of future contributions).

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 next table.

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

Key Projection Results	2015 Valuation		
	Original*	Updated	With P1,000 Additional Pension Benefit
	(A)	(B)	(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

\*As published in the 2015 Actuarial Valuation report

The implementation of the P1,000.00 additional pension benefit in 2017 reduced the fund life by 10 years, from 2042 to 2032, and caused the net revenue to be projected 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.

On February 7, 2019, RA 11199, also known as the Social Security Act of 2018, was signed into law. Among the salient features of the law are the following:

- Increase in contribution rate and minimum and maximum monthly salary credits (MSCs) in accordance with the following schedule effective January of the year of implementation.

Year of Implementation	Contribution Rate	Share		Monthly Salary Credit	
		Employer	Employee	Minimum	Maximum
2019	12%	8%	4%	P2,000	P20,000
2021	13%	8.5%	4.5%	P3,000	P25,000
2023	14%	9.5%	4.5%	P4,000	P30,000
2025	15%	10%	5%	P5,000	P35,000

- Mandatory coverage of Overseas Filipino Workers
- Introduction of unemployment benefit
- Establishment of voluntary and mandatory provident funds
- Rationalized powers and duties of the Social Security Commission
- Enhanced investment capabilities

On February 20, 2019, RA 11210, also known as the 105-Day Expanded Maternity Leave Law, was likewise signed into law. This law increased the number of compensable days for any instance of live birth from 60 and 78 days to 105 days, with additional 15 days for solo parents. In addition, the maternity benefit can now be availed regardless of the number of deliveries or miscarriages.

The effect of the two new laws on the updated 2015 Valuation, with the P1,000.00 additional pension allowance in 2017, is summarized in the table below.

#### Comparison of Key Projection Results Updated 2015 Valuation with RA 11199 and RA 11210 (Amount in Trillion Pesos)

Key Projection Results	2015 Valuation		
	With P1,000 Additional Pension Benefit		With P1,000 Additional Pension Benefit, RA 11199 and RA 11210
	(A1)	(A2)	(B)
Year Fund Will Last	2032	2032	2044
Year Net Revenue Becomes Negative	2022	2022	2037
Unfunded Liability Computation (Discount rate = 6%)			
	(as at Jan. 1, 2017)	(as at Jan. 1, 2019)	(as at Jan. 1, 2019)
Liability	5.38	6.01	5.17
Reserve Fund	0.43	0.45	0.45
Unfunded Liability	4.95	5.56	4.72

(Valuation period up to year 2060)

The implementation of RA 11199 and RA 11270 in 2019 extended the fund life by 12 years, from 2032 to 2044, and projected the net revenue to turn negative by 2037, much later than 2022 which was previously projected.

Prior to the passage of the two new laws, the unfunded liability as of January 1, 2017 was computed at P4.95 trillion. Adjusting the reference date of present value computation to January 1, 2019, the unfunded liability increased to P5.56 trillion. However, considering the effect of the new laws, the unfunded liability was reduced to P4.72 trillion.

The SSF life and unfunded liabilities presented above were determined using an open group projection method, where members who will join the System in the future are considered in the projection of revenues and expenditures. The SSS program, as with other social security schemes, was designed such that the contributions of the current paying members fund the benefits of the current pensioners; hence, there is income transfer across generations. With the continuous membership of future generations into the System, the benefits of the current and future pensioners are continuously funded by the contributions of the former; hence, the open-group projection method is appropriate in assessing the sustainability of the SSS program.

Meanwhile, the closed group projection method considers only the existing members up to end of reporting date while continuing their contribution up to certain date. The unfunded liability computed with this approach is highly theoretical, as it is only truly meaningful for a program that is intended to be fully funded. Nevertheless, it provides an insight as to the magnitude of the unfunded liability of a program that is designed to be partially funded, such as the SSS program. The comparison of the unfunded liabilities computed under the open and closed group projection methods are presented in the following table.

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

Key Projection Results	Open Group	Closed Group
	(A)	(B)
Year Fund Will Last	2044	2036
Year Net Revenue Becomes Negative	2037	2030
Unfunded Liability Computation (Discount rate = 6%)		
	(as at Jan. 1, 2020)	(as at Jan. 1, 2020)
Liability	5.48	6.85
Reserves	0.48	0.48
Unfunded Liability	5.00	6.37

As expected of a partially funded program, the SS Fund life under the closed group method is shorter by eight years at 2036, compared to 2044 under the open group method.

The unfunded liability as of December 31, 2019 at P6.37 trillion under the closed group method is greater as well, compared to P5.00 trillion computed under the open group method.

The current unfunded liability and fund life situation presented above was caused in part by a structural imbalance, brought about by the mismatch of the increases in pension, MSC ceiling and contribution rate. During the period from 1980 to 2016, pensions were increased through across-the-board pension increases of up 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 MSCs, 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.

**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.

**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.

**Cumulative Changes in Fair Value**

	2019	2018 Restated
Balance, January 1	(30,822,445,526)	(8,556,971,866)
Net gain (loss) arising on revaluation of financial assets at FVTOCI	(679,240,533)	(22,265,473,680)
Balance, December 31	(31,501,686,059)	(30,822,445,526)

The cumulative changes in fair value represent the investments revaluation reserves arising on the revaluation of financial assets that have been recognized in other comprehensive income.

**21. SERVICE AND BUSINESS INCOME**

This account is composed of the following:

	2019	2018 Revalued
Members' contribution	219,619,614,559	180,343,916,577
Interest income	20,908,556,958	22,107,910,960
Fines and penalties- business income	3,412,317,758	3,055,759,562
Dividend income	2,964,937,904	3,078,353,241
Rent/lease income- investment property	683,122,051	702,943,572
Income from acquired/foreclosed assets	41,705,847	26,480,172
Management fees	8,938,207	7,029,433
Other business income	548,383,492	486,207,318
	248,187,576,776	209,608,600,735

As at December 31, 2019, the combined SSS and ECC collection of members' contributions including related interests and penalties totaled P220.379 billion. Contributions from employed sector registered the biggest amount of collection at P190.203 billion, followed by voluntary paying members at P23.906 billion and self-employed at P6.270 billion. The number of paying members for the period from January to December 2019 reached to P17.561 million and P16.540 million for the same period in 2018.

ECC members' contribution for the year ended December 31, 2019 and 2018 amounted to P2.402 billion and P2.251 billion, respectively.

Interest income are derived from the following SSS investments:

	2019	2018
<b>Bonds investments</b>		
FAFVTPL	1,005,343,581	652,909,618
FVTOCI	2,775,112,231	3,201,488,141
FA at Amortized Cost	10,720,870,637	10,273,689,088
	14,501,326,449	14,128,086,847
<b>Loans and receivables</b>	5,399,820,066	7,179,566,775
Current/savings/term deposits	902,990,641	773,195,154
Time deposits	72,982,018	17,385,000
Others	31,437,784	9,678,084
	20,908,556,958	22,107,910,860

Other business income includes among others, service fees on salary loans granted and income from SSS ID replacement amounting to P400.282 million and P94.278 million, respectively, for CY 2019.

## 22. GAINS

This account is composed of the following:

	2019	2018 Restated
Gain from changes in fair value of investment property	12,113,402,674	3,286,127,950
Gain from changes in fair value of financial instruments	3,845,422,727	2,087,104,052
Gain on sale/redemption/transfer of investment	1,208,187,834	892,599,507
Gain on foreign exchange (FOREX)	305,237	564,573
Gain on sale of property and equipment	225,867	485,874
	17,167,544,339	6,266,881,956

Investment properties are remeasured at fair value, which is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Gain or losses arising from changes in the fair value of the investment property are included in net profit or loss for the period in which they arise.

## 23. OTHER NON-OPERATING INCOME

This account is composed of the following:

	2019	2018
Reversal of impairment loss	1,530,031,607	434,443,321
Miscellaneous income	419,660,243	573,657,598
	1,949,691,850	1,008,100,919

The SSS considers certain financial assets to have recovered from impairment losses amounting to P1.530 billion due to the enhanced loan collection efforts and digitalization initiatives implemented by SSS. Majority of the recoveries came from member loans and housing loans amounting P1.356 billion and P137.816 million, respectively.

## 24. 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 amounted to P196.761 billion and P180.079 billion, with total number of 3,969,776 and 3,681,447 beneficiaries for CYs 2019 and 2018, respectively, as follows:

	2019	2018
Retirement	114,267,999,625	104,822,602,023
Death	57,065,755,182	54,715,765,694
Maternity	10,411,803,431	7,066,033,389
Disability	7,369,931,044	6,765,319,427
Funeral grant	4,230,672,378	3,906,046,527
Sickness	3,226,363,930	2,790,957,883
Unemployment	177,863,624	-
Medical services	10,783,631	10,830,855
Rehabilitation services	-	958,702
	196,761,172,845	180,078,514,500

The unemployment or involuntary separation benefit is given to qualified SSS members as provided under Section 14-B of the RA 1199. A member who is not over 60 years of age and who has paid at least 36 monthly contributions, 12 months of which should be in the 18-month period immediately preceding the involuntary separation or unemployment, shall be paid benefits in the form of monthly cash payments equivalent to 50 per cent of the average monthly salary credit for a maximum of two months. Provided, that an employee who is involuntary unemployed can only claim unemployment benefit once every three years and provided further, that in case of concurrence of two or more compensable contingencies, only the highest benefits shall be paid, subject to the rules and regulations that the Commission may prescribe.

The SSS has paid unemployment or involuntary separation benefit from August to December 2019 to 14,993 SSS members in the total amount of P177.863 million.

Pursuant to RA 11210 or the 105-Day Expanded Maternity Leave Law (EMILL) increasing the maternity leave period to 105 days for female workers with an option to extend for an additional 30 days without pay, and granting an additional 15 days for solo mothers, SSS has paid P2.22 billion from March to December 2019.

## 25. PERSONNEL SERVICES

This account is composed of the following:

	2019	2018
Salaries and wages	2,980,063,635	2,882,894,684
Other compensation	1,709,321,420	1,556,748,429
Personnel benefit contribution	1,601,468,068	1,546,222,995
Other personnel benefits	506,525,789	545,337,675
	6,797,378,912	6,531,203,783

Personnel benefit contribution includes Provident Fund which consists of contributions made by both the SSS and its officials and employees and their earnings, for the payment of benefits to such officials and employees or their heirs as provided under Section 4.a.3 of RA No. 11199. 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/her heirs will receive from the fund payments equivalent to his/her contributions, proportionate share of the SSS' contributions and investment earnings thereon.

Other personnel benefits include the grant of Service Recognition Incentive amounting to P72.369 million which was given to all SSS officials and employees in December 2019, as authorized under Malacañang Administrative Order 19.

As at December 31, 2019, SSS has a total of 7,252 regular personnel of which 664 are new employees but net of 319 retired/separated employees.

## 26. MAINTENANCE AND OTHER OPERATING EXPENSES

This account is composed of the following:

	2019	2018
General services	398,091,098	301,112,117
Repairs and maintenance	285,673,055	262,428,075
Utility expenses	252,937,751	246,321,443
Labor and wages	235,542,353	458,645,947
Communication expense	220,886,199	247,701,305
Supplies and materials expenses	168,091,312	212,185,975
Professional expenses	81,845,282	77,106,380
Traveling expenses	73,337,345	74,636,928
Taxes, insurance premiums and other fees	20,962,022	24,670,208
Training and scholarship expenses	24,846,022	51,260,537
Awards/Rewards, prizes, and indemnities	2,708,950	1,242,363
Confidential, intelligence and extraordinary expenses	2,191,374	1,552,681
Other maintenance and operating expenses	656,657,400	987,832,596
	<b>2,423,770,163</b>	<b>2,947,696,555</b>

Other maintenance and operating expenses consist of the following:

	2019	2018
Fees and commission expenses	304,931,326	255,187,752
Printing and publication expenses	121,815,733	205,801,777
Rent/Lease expenses	70,384,385	304,507,045
Subscription expenses	57,609,636	53,636,205
Advertising, promotional and marketing expenses	35,214,635	75,078,189
Transportation and delivery expenses	15,803,283	16,766,387
Directors and committee members' fees	14,223,334	22,105,636
Membership dues and contributions to Organizations	9,353,634	9,309,156
Donations	745,522	6,006,280
Other maintenance and operating expenses	26,575,912	39,434,169
	<b>656,657,400</b>	<b>987,832,596</b>

## 27. FINANCIAL EXPENSES

This account is composed of the following:

	2019	2018
Interest expenses - lease liability	63,377,239	-
Bank charges	18,786,715	885,955
Other financial charges	226,587,436	128,280,980
	<b>308,761,390</b>	<b>129,166,935</b>

The SSS recognizes interest expense on the lease liability calculated using the effective interest method in view of the new leasing standard (see Note 2.13).

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 as well as management fee expenses of the Flexi-Fund and PESCO Fund.

## 28. NON-CASH EXPENSES

This account is composed of the following:

	2019	2018 Restated
Losses	4,823,986,054	3,361,248,235
Depreciation	466,011,313	206,743,541
Impairment losses	194,729,960	1,403,222,693
Amortization	53,695,288	43,764,140
	<b>5,338,422,615</b>	<b>5,014,978,609</b>

The SSS recognizes losses on fair value adjustments of financial assets and investment properties as at December 31, 2019 in the amount of P3.308 billion and P1.136 billion, respectively.

The depreciation expense recorded for the ROU assets starting January 2019 amounted to P220.543 million.

## 29. 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 2018 amounted to P2.828 billion, as follows:

NCA No.	Date	Amount
2012 BMB-F-12-0023901	December 14, 2012	45,279,995
2013 BMB-F-13-0017483	September 23, 2013	480,771,648
BMB-F-13-0020336	November 11, 2013	278,800,497
		<b>759,572,145</b>

NCA No.	Date	Amount
<b>2014</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>771,613,074</b>
<b>2015</b>		
BMB-F-15-0005560	April 29, 2015	32,207,250
BMB-F-15-0016231	October 26, 2015	374,662,670
		<b>406,869,920</b>
<b>2016</b>		
BMB-C-16-0006531	April 28, 2016	64,196,930
BMB-C-16-0016736	September 15, 2016	54,212,150
		<b>118,411,080</b>
<b>2017</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>541,076,050</b>
<b>2018</b>		
BMB-C-16-0006531	September 17, 2018	185,357,643
		<b>2,828,179,907</b>

### 30. LEASE COMMITMENTS

#### 30.1 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. Extension option is exercisable up to one year after the lease period has expired as running from month-to-month with the same terms and conditions as stipulated. On the other hand, if either party desires to terminate prior to expiration of the lease period, the desiring party shall inform the other party in writing of such intention at least 60 days before the intended termination date. There are no residual value guarantees and sale and leaseback transactions in the lease agreement.

In 2019, SSS opened three new branches and 12 new service/representative offices nationwide to provide a conducive member-centric environment and entered into a cancellable operating lease agreement with various property owners. Out of the 320 local branches, 167 branch/service/representative offices located in various locations nationwide are rent-free. As at December 31, 2019 and 2018, the total lease payment made amounted to P153.568 million and P259.116 million, respectively (see Notes 14 and 26). Further, there is no sublease agreements made and no occurrences of contingent rent.

#### 30.2 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 P3,593 per month. The leases have varying terms, escalation clauses and renewal rights. Renewal option is available to the lessee who shall give a written notice of its intention to renew at least 60 calendar days prior to the expiration of the lease period. If the lessee continues in the occupation of the leased premises with the consent of the lessor after the term, said extension of the contract shall be understood as running from month to month basis under the same terms and conditions stipulated in the agreement, but the monthly rental shall all be escalated based on the SSS leasing guidelines. For the pre-termination terms, either party may pre-terminate the lease for any reason provided that the party who will initiate the pre-termination shall inform the other party in writing at least 60 calendar days before the intended date of termination. In the case lessee voluntarily pre-terminates the lease agreement, the lessee shall pay the SSS a pre-termination fee to be deducted from the security deposit.

Total rental income earned as of December 31, 2019 and 2018 amounted to P732.765 million and P739.678 million, respectively, details as follows:

	2019	2018
Investment property	683,122,051	702,943,572
Leased acquired/foreclosed assets	41,705,847	26,480,172
Operating assets	7,937,248	10,253,805
	<b>732,765,146</b>	<b>739,677,549</b>

### 31. RELATED PARTY DISCLOSURES

As at December 31, 2019, the composition of the Social Security Commission's board members is as follows:

Board Position	Name	Appointment
1. Ex-Officio Chairperson	Carlos G. Dominguez III	Secretary, Department of Finance
2. Vice-Chairperson	Aurora C. Ignacio	President & CEO, SSS
3. Ex-Officio Member	Silvestre H. Bello III	Secretary, DOLE
4. Member	Michael G. Regino	Representing the Workers' Group
5. Member	Ricardo L. Moidez	Representing the Employers' Group
6. Member	Diana Pardo-Aguilar	Representing the Employers' Group
7. Member	Anita Bumpus-Quitain	Representing the Workers' Group
8. Member	Manuel L. Argel, Jr.	Representing the Employers' Group
9. Member	Bai Norhata Macalbar Alonto	Representing the Workers' Group

#### Key Management Personnel Remuneration and Compensation

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

	2019	2018
Salaries	36,400,922	32,012,158
Other allowances and benefits	34,071,073	26,809,915
	<b>70,471,995</b>	<b>58,822,073</b>

Meanwhile, the total remuneration received by the Board of Commissioners amounted to P14.742 million and P16.811 million for CYs 2019 and 2018, respectively.

### 32. 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.

In the management of financial risks, the Social Security Commission (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 on the statutory limit provided under the Social Security Law and compliance to the investment guidelines. Internal controls are also in place and comprehensive audit is being done by the Internal Audit Services Group.

Financial risk is defined as the potential losses due to changes in external markets, prices, rates and liquidity supply and demand. Types of financial risks and risk management tools, policies and procedures currently utilized by SSS are discussed below.

#### 1. Market Risk

Market Risk is the risk of SSS investments declining in value because of economic developments or other events that affect the entire market. This risk arises from (i) fluctuations in market prices of equities due to changes in demand and supply for the securities (Equity Price Risk); (ii) changes in SSS' investment value due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship (Interest Rate Risk); and (iii) 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 equities, corporate notes/bonds, loans, mutual funds 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:

- a. **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 a portfolio under extreme market movements. Daily VaR estimates are monitored daily and compared to its limits.

The VaR limit 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.

- b. **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.

The daily MAR values were translated into colors to indicate the magnitude of risks on the portfolio. These MAR values are visually represented using a MAR Heat Map.



- c. **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.

#### 2. Credit Risk

Credit risk refers to the risk of an economic loss from the failure of counterparty to fulfill its contractual obligations or from the increased risk of default during the term of the transaction. This includes risk due to (i) SSS debtor's incapacity or refusal to meet debt obligations, whether interest or principal payments on the loan contracted, when due (Default Risk); (ii) taking over the collateralized or escrowed assets of a defaulted SSS borrower or counterparty (Bankruptcy Risk); (iii) potential for a loss in value of an SSS investment portfolio when an individual or group of exposures move together in an unfavorable direction (Concentration Risk); (iv) deterioration of perceived credit creditworthiness of the borrower or counterparty (Downgrade Risk); and (v) failure of a counterparty to deliver a security or its value in cash when the security was traded after SSS have already delivered security or cash value, as per the trade agreement (Settlement Risk).

SSS implements structures and standardized evaluation guidelines, credit ratings and approval processes. Investments undergo technical evaluation to determine their viability/acceptability. Due diligence process (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 are used to determine if counterparties are creditworthy.

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, 2019 and 2018.

	Neither past due nor impaired	2019 Past due but not impaired (Age in months)						Expired	Impaired	Total
		1-12	13-36	37-48	49-60	Over 60	(In Millions)			
Financial assets at FVTPL	35,213	-	-	-	-	-	-	-	35,213	
Financial assets at FVTOCI	131,490	-	-	-	-	-	-	-	131,490	
Financial assets at amortized cost										
Short-term money placements	400	-	-	-	-	-	-	-	400	
Corporate notes and bonds	36,082	-	-	-	-	-	-	-	36,082	
Government notes and bonds	160,158	-	-	-	-	-	-	-	160,158	
Loans and receivables										
NHMFC	-	-	-	-	-	-	4,915	4,915	9,830	
Housing loans	347	112	1	-	-	-	-	1,277	1,737	
Member loans	31,518	29,760	11,554	-	4,713	11,990	-	5,759	95,294	
Pension loans	2,009	-	-	-	-	-	-	-	2,009	
Sales contract receivable	1,032	6	17	6	1	43	47	47	1,199	
Rental receivable	-	28	43	-	-	-	-	22	91	
Commercial and Industrial loans	-	-	-	-	-	-	10	59	69	
Program MADE	-	-	-	-	-	-	-	17	17	
	<b>398,249</b>	<b>29,904</b>	<b>11,615</b>	<b>6</b>	<b>4,714</b>	<b>12,033</b>	<b>4,972</b>	<b>12,096</b>	<b>473,589</b>	

	Neither past due nor impaired	Past due but not impaired (Age in months)						Expired	Impaired	Total
		1-12	13-36	37-48	49-60	Over 60				
(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>

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	3% for Individual Corporation's Debt
4% for Individual Corporation	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:

1. Minimum requirements for stockbroker evaluation
  - 1.1 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).
  - 1.2 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 per cent 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 per cent and 15 per cent 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 per cent of its total market transactions. This ensures that SSS is not its only client.

### 3. Liquidity risk

Liquidity risk refers to the risk that a company may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. This risk also refers to (i) unanticipated changes in liquidity supply and demand that may affect SSS through untimely sale of assets, inability to meet contractual obligations or default (*Funding Liquidity Risk*) and (ii) the possibility that an institution will not be able to execute a transaction at the prevailing market price because there is temporarily no appetite for the deal on the other side of the market (*Trading 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, back testing and stress testing on risk models used by the Investment Sector to ensure effectiveness and reliability of models.

Other financial risks that might affect SSS, which were identified and are still under study by RMD are discussed below.

### 4. Reinvestment Risk

This is the possibility that an investor will be unable to reinvest cash flows (e.g. coupon payments) at a rate comparable to the current investment's rate of return. The term also sometimes refers to the risk that principal repayments on such security may be paid prior to maturity, thereby forcing the asset manager to seek reinvestment of principal at a time when interest rates may be lower than the rate that was payable on the security.

### 5. Asset-Liability Mismatch Risk

This is the risk of a change in value from a deviation between asset and liability cash flows, prices or carrying amounts, caused by change in actual cash flow, change in expectations on future cash flows and accounting inconsistencies.

### 6. Inflation Risk

This is the risk of a loss in the purchasing power because the value of the investments does not keep up with inflation.

### 7. Systemic Risk

This is the risk of potential failure of one institution to create a chain reaction or domino effect on other institutions and consequently threaten the stability of financial markets and even the global economy.

## 33. RESTATEMENT

The following tables summarize the effect of the adjustments made on the change in accounting policy, accounting error and reclassification of asset accounts.

### Effect on the Statement of Financial Position

	December 31, 2018			January 1, 2018		
	(In million pesos)					
	As Previously Reported	Effect of Restatement/ reclassification	As Restated	As Previously Reported	Effect of Restatement/ reclassification	As Restated
Receivables	7,530	56	7,586	5,316	50	5,366
Accrual of penalty income	50	9	59	50	0	50
Reclassification of NCAHFS to IP	1,303	(445)	858	1,369	(431)	938
Non-Current Assets Held for Sale	41,354	787	42,141	38,424	762	39,186

### Effect on the Statement of Comprehensive Income

	2019	2018
	(In million pesos)	
Accrual of penalty income		
Increase in service and business income	155	9
Increase in profit for the year	155	9
Reclassification of NCAHFS to IP		
Increase in gains	141	11
Increase in non-cash expenses	7	-
Increase in profit for the year	134	11
AFSFA measured at cost from fair value		
Increase in other comprehensive income	0.04	395
Impairment of penalty receivable and non-current asset		
Increase in non-cash expense	10	118
Increase in other non-operating income	5	-
Decrease profit for the year	5	118

## 34. EVENTS AFTER REPORTING PERIOD

The approval of the following policies and guidelines by the SSC after the reporting period are considered adjusting events, hence, financial statements are adjusted accordingly.

On February 12, 2020, the SSC under Resolution No. 97-s. 2020 approved the Policy on Revenue Recognition of Penalty Income on Financial Assets, the implementation of which is effective January 2019.

On February 26, 2020 the SSC under Resolution No. 156-s. 2020 approved the interim use of the weighted average valuation of one external appraisal and the SSS in-house appraisal for the determination of the 2019 Fair Market Value of IPs and ROPAs for the year-end reporting in the SSS Financial Statements.

In view of the Proclamation No. 929 s. 2020 dated March 16, 2020 declaring a State of Calamity throughout the Philippines due to Coronavirus Disease 2019 (COVID-19) for a period of six months, unless earlier lifted, in relation to Proclamation No. 922 s. 2020 dated March 8, 2020 declaring a State of Public Health Emergency due to COVID-19 and the declaration of Code Red sub-level two of the code alert system for COVID-19, all issued by the Office of the President of the Philippines, the Social Security Commission approved the following Resolutions:

Resolution No. 205-s.2020 dated March 25, 2020

- Moratorium on short-term loan payments of SSS members affected by COVID-19 for applicable months of February to April 2020.
- Resolution No. 206-s.2020 dated March 25, 2020, pursuant to Section (4)(a)(B) and Section 22(a) of the Social Security Act of 2018
- Extension of deadline of remittance of contributions by employers (Regular and Household) and Self-employed, Voluntary and Non-Working Spouse members on or before June 1, 2020.
- Resolution No. 258-s.2020 dated May 19, 2020
- Moratorium on housing loan payments of SSS members affected by COVID-19 shall commence from the applicable month of March 2020 with due date on April 10, 2020 until the lifting of the imposition of Enhanced Community Quarantine (ECQ) in the covered areas.

Resolution No. 261-s.2020 dated May 27, 2020, pursuant to Section (4) (a)(B) and Section 22(a) of the Social Security Act of 2018

- Further extension of deadline of remittance of contributions by employers (Regular and Household) and Self-employed, Voluntary and Non-Working Spouse members on or before June 15, 2020.

Resolution No. 294-s.2020 dated May 27, 2020, pursuant to Section (4)(a)(I) and Section 22(a) of the Social Security Act of 2018

- Further extension of deadline of remittance of contributions by employers (Regular and Household) and Self-employed, Voluntary and Non-Working Spouse members on or before June 15, 2020.

Type of Payor	Deadline of Remittance
Regular Employers	Contributions for the applicable months of February, March and April 2020 may be paid on or before June 30, 2020
Household Employers	Contributions for the applicable months of January, February and March or for the quarter ending March 31, 2020 may be paid on or before June 30, 2020
Self-Employed, Voluntary Members and Non-Working Spouses	Contributions for the applicable months of January, February and March or the first quarter of Year 2020 may be paid on or before June 30, 2020



Per Resolution No. 403 s. 2019, FCA7 was valued at book value as the appraisal report for said property indicate that the same was valued on an "as is where is" basis without considering expected value arising from litigation pending with the Regional Trial Court and Supreme Court. At the end of the reporting period, said property was subject of cases pending with the Regional Trial Court and Supreme Court. In addition, the COVID19 pandemic and its economic impact which may be considered a subsequent event (after the reporting date) may result in negative effect to the FV of IPs as at end of 2019 (i.e. without considering yet the impact of the pandemic).

### 35. OTHER MATTERS

#### Commitments

Amount authorized but not yet disbursed for capital expenditures as at December 31, 2019 is approximately P1,295 billion.

### 36. 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
<b>Taxes paid as at December 2019</b>	
On compensation	<b>341,217,649</b>
Expanded	<b>71,490,100</b>
VAT and other percentage tax	<b>99,608,136</b>
Final tax	<b>1,269,370</b>
Output tax (VAT)	<b>70,386,646</b>
<b>Taxes withheld (to be paid in CY 2020)</b>	
On compensation	<b>14,702,581</b>
Expanded	<b>8,846,743</b>
VAT and other percentage tax	<b>14,673,689</b>
Final tax	<b>91,699</b>
Output tax (VAT)	<b>7,066,456</b>
	<b>629,353,089</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 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."

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

The amount of output tax on VAT paid by SSS as of December 31, 2019 and 2018 amounted to P70,387 million and P63,476 million, respectively.

### 37. 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)	5,073 billion	The case is still pending with OGCC. The Risk Management and Investment Committee directed Management to request clearance from the DOF Secretary to renegotiate for better terms towards settlement of HGC obligations to SSS. Approval of which was secured from DOF in its letter to SSS dated August 2, 2019. Negotiation is on-going between SSS and HGCC (now PhilGuarantee) involving cash repayment of the remaining balance and compromise agreement within acceptable terms and condition.
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, FCA7)	1,461 billion	The case is still pending with the Supreme Court (SC)
Civil case for Sum of Money with Damages filed against Waterfront Philippines, Inc (WPI)	1,151 billion	On August 30, 2019, SSS appeal with the Court of Appeals was decided in favor of the SSS. On November 14, 2019, the Office of the Solicitor General (OSG) received a copy of the Petition for Review on Certiorari dated November 4, 2019 filed by WPI with the SC. OSG still awaiting order from the SC to file its comment.
Quieting of title filed by Desiderio Dalsay Investment, Inc (DDI) – "Dacion en Pago" (Cabagulo Ave. cor. Del Pilar Brgy Agdao Proper, Agdao, Davao City)	83,586 million	DDI to execute the Deed of Sale over the properties in favor of SSS and surrender the Owner's Duplicate of TCT Nos T-18203, T-18204, T-255986 and T-255985, as well as the Tax declarations over the said properties. SSS to re-compute petitioner's obligations, accordingly, reckoned from June 17, 1982, the date when respondent communicated its acceptance of the offer. SSS Davao was requested to inquire from the Regional Trial Court of Davao City, Branch 14, whether the records of the case have already been remanded by the SC. This is preparatory for OSG/SSS to file Motion for Execution of Judgment.
Civil case for Sum of Money filed by Pryce Corporation on One Time Maintenance Adjustment Charge (MAC) on SSS owned memorial lots	29,198 million	Hearing of the case on-going (RTC- Branch 6, Makati City)

## INTERNAL AUDITOR'S REPORT

For 2019, the Internal Audit Service Group (IASG) implemented the following Audit Projects in accordance with its Approved Audit Plan:

- Employer Coverage and Delinquency and Status of Implementation of Warrants of Distrain, Levy and/or Garnishment (WDLG) in 30 Branches
- Cash Management/Accounts Teller System in 10 Branches
- Member Loans Billing, Collection and Posting in 29 Branches
- Pension Loan Program (PLP) in 4 Branches
- Payment of Manpower Services on *Quantum Meruit* Basis (SSSRC and DBPSC)
- Local Procurements – Mindanao West (Zamboanga)
- Expired Contracts for Janitorial, Security and Human Resource Services
- Revolving Fund of Media Affairs Department (MAD)
- Use of Leased Premises at HK Sun Plaza
- Real-Time Processing of Contributions for Individual Members
- Corporate Communications Department (CCD)
- Fund Disbursement for Settlement of SSS Investments, Provident Fund, Procurement of Goods and Services, Member Loans and Benefit Payments
- Health Care Department (Health Care Services, Medical Benefits and Revolving Fund)
- Janitorial Services at the Main Office

Basically, the audit objectives were to evaluate and assess management's compliance with applicable laws, policies, systems and procedures and attainment of the four Es of operations, namely: Efficiency, Effectiveness, Ethicality, and Economy. This is in line with the mandate of the IASG that as an independent unit, it is responsible for reviewing and evaluating the effectiveness of the risk management, control, and governance processes, and for making recommendations for improvement to help achieve organizational goals.

Below are the significant audit findings for the abovementioned audit projects:

- ▶ Compliance of the Branches/Legal Departments on the handling of delinquent accounts needs improvement. The activities related to the assessment of delinquencies, sending of billing/demand letters, and referral to Legal Department for legal action are not properly monitored. Improved handling of delinquent accounts will increase collection efficiency, thus, the Accounts Management System must be fully implemented.
- ▶ The Teller Units of the Branches contributed significantly to the goals of SSS to provide convenient and accessible payment channels. However, not all of these units are adequately equipped with the required operational resources and security logistics like computers, fast internet connection, CCTV system, teller's booth, vault, alarm system, etc. There are also heads and supervisors who are not fully familiar with the policies and procedures on cash and vault management. Finally, there are issues with the proper enforcement of Deposit-Pick Up Arrangements with depository banks, resulting in a high rate of undeposited collections at the end of the day.
- ▶ The systems and procedures in the processing and payment of Pension Loan Program allow for the immediate approval of loan applications. However, the audit found that there is no system for check-and-balance as only one person is in complete control of the transaction, from receiving of application to approval of loan.

- ▶ Local procurements in the branches through the Division's Local Bids and Awards Committee need significant improvement. There were several findings on non-compliance with the provisions of RA 9184 and with the SSS internal policies and procedures. Majority of them can be attributed to the lack of adequate and appropriate training of the employees performing the job and thorough supervision and guidance by the Heads/Supervisors.
- ▶ Policies and procedures on the procurement of services like human resources, janitorial and security services are not strictly complied with. Hence, there are cases of contracts whose terms have already expired prior to the procurement of new contracts. This practice often resulted in the extension of existing contract and payment of contractual obligations based on *quantum meruit*.
- ▶ The billing and posting system for member loan repayments needs significant improvement as well. The plan to enhance it through the Real-Time Processing of Loans Program should be implemented immediately. Meantime, the issues on unposted payments, delays in posting, unreconciled balances, and uncollected loan obligations should be addressed properly to avoid complaints from the members.
- ▶ The Revolving Fund of the Media Affairs Department was set up to ensure timely implementation of crucial media-related activities. However, failure to comply with policies, rules and regulations led to the abuse in the use of the fund.

The IASG also made recommendations to assist management in addressing the causes of the above-mentioned audit findings. Close coordination with the SSS Compliance Officer/Management Observer and operating units is being done to ensure implementation of recommended actions or measures. We appreciate the plan of management to ensure that audit-recommended actions are made part of the deliverables/targets of the concerned operating units.

At this juncture, we would like to reiterate management's compliance with the National Guidelines on Internal Control System. This is because it is the direct and primary responsibility of the management to install, implement, and monitor a sound system of internal control. This is an opportune time to do so in view of the Business Process Re-engineering efforts being exerted in preparation for the SSS digitalization.

Starting 2020, the IASG will introduce innovations on the conduct of audit, such as automation of processes, objective and impactful audit reporting, improving audit cycle time, and instituting feedback mechanism from the Audit Committee and operating units.

With these, we renew our pledge to be management's partner for efficient public service.

**SVP JOSEFINA O. FORNILOS**  
Head, Internal Audit Service Group

## HISTORICAL DATA

### SSS COVERED MEMBERS, ACTIVE EMPLOYERS AND PERSONNEL WORKFORCE

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

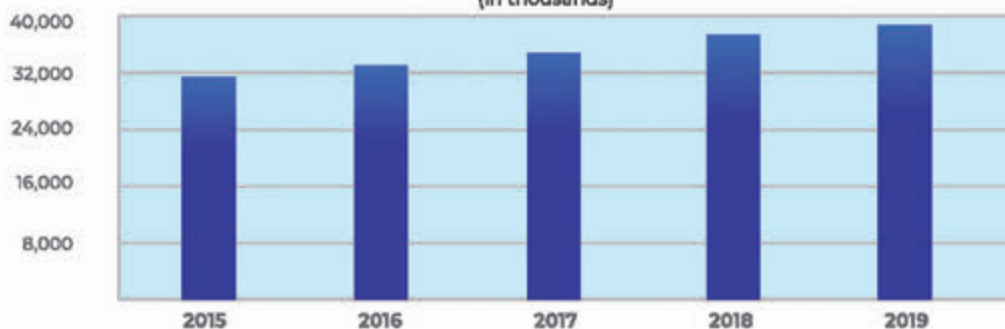
Year	Covered Members* (M)	Active Employers** (ER)	Personnel Workforce*** (P)	Ratio of Members to Personnel (M/P)
2019	38,772.5	973.4	7.2	5.3
2018	36,736.8	932.1	6.9	5.3
2017	34,979.0	903.6	6.8	5.1
2016	33,237.0	935.0	6.4	5.2
2015	31,520.7	914.0	5.8	5.4

\* members who are eligible to avail of at least one benefit

\*\* registered establishments that are still operational; includes household employers

\*\*\* regular SSS employees only

**SSS Covered Members**  
As of December 31  
(in thousands)

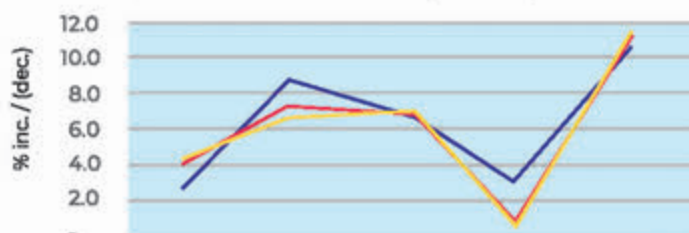


### CONSOLIDATED GROWTH OF ASSETS, RESERVES, AND INVESTMENTS

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

Year	Assets	Reserves	Investments
2019	568.14	555.24	530.60
2018	512.65	499.54	481.33
2017	508.63	495.85	468.34
2016	476.40	464.42	440.08
2015	444.40	435.52	406.16

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



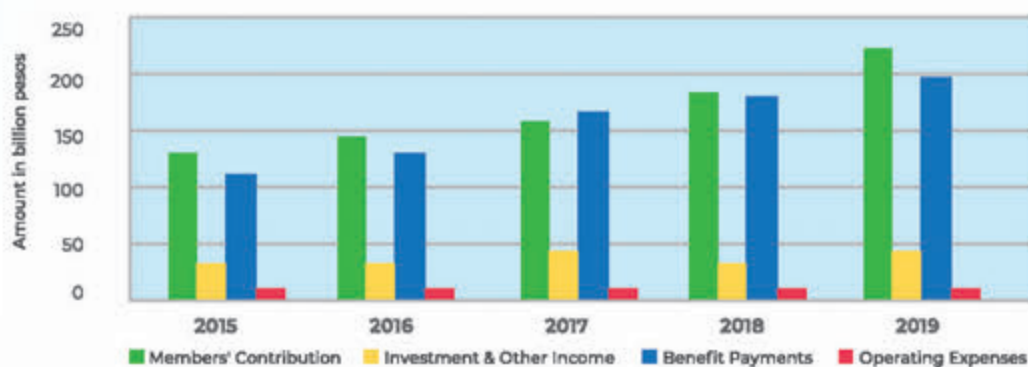
	2015	2016	2017	2018	2019
Assets, % inc./ (dec.)	4.0	7.2	6.8	0.8	10.8
Reserves, % inc./ (dec.)	4.1	6.6	6.8	0.7	11.1
Investments, % inc./ (dec.)	2.9	8.4	6.4	2.8	10.2

## 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
2019	220.38	41.99	196.76	9.93
2018	181.92	30.54	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

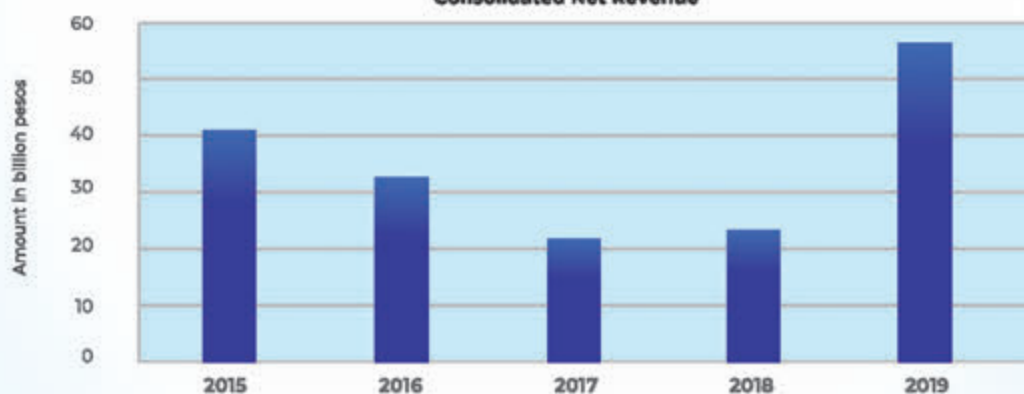
### Consolidated Members' Contribution, Investment & Other Income, Benefit Payments, and Operating Expenses



### Consolidated Net Revenue (in Billion Pesos)

Year	Amount	% inc./dec.
2019	55.68	146.7
2018	22.57	5.6
2017	21.38	(33.2)
2016	32.00	(21.4)
2015	40.69	(8.5)

### Consolidated Net Revenue



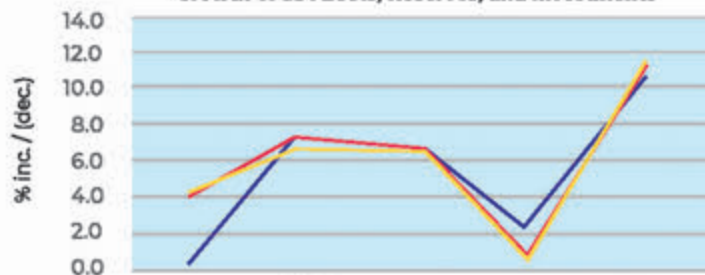
- 1) The increase in net revenue in 2019 came after the enactment of the Social Security Act of 2018 which raised the contribution rate and the minimum and maximum salary credits effective applicable month of April 2019.
- 2) The decrease in net revenue from 2015 to 2017 is attributed to the increase in benefit payments due to pension adjustments as a result of posting of 1985-1989 contributions in 2016 and grant of P1,000.00 additional benefit in 2017.

## SOCIAL SECURITY FUND\*

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

Year	Assets	Reserves	Investments
2019	527.81	514.91	491.30
2018	474.23	461.13	444.50
2017	471.02	458.24	433.78
2016	441.83	429.87	406.40
2015	411.28	402.61	378.06

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



	2015	2016	2017	2018	2019
Assets, % inc./ (dec.)	3.9	7.4	6.6	0.7	11.3
Reserves, % inc./ (dec.)	4.1	6.8	6.6	0.6	11.7
Investments, % inc./ (dec.)	0.2	7.5	6.7	2.5	10.5

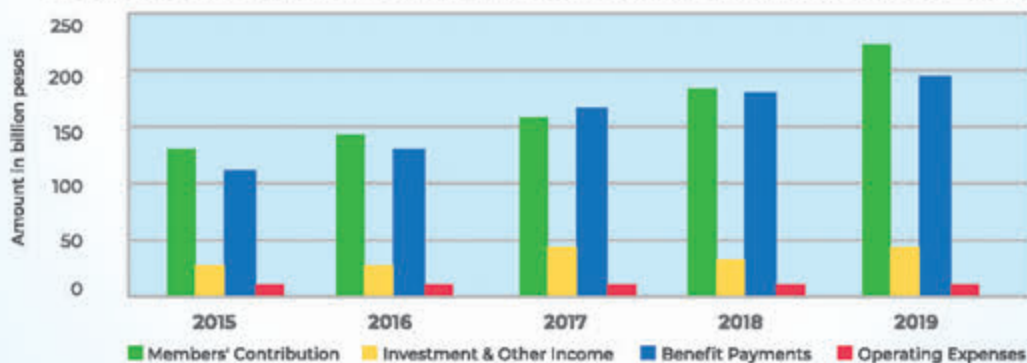
\* Includes Mortgage's Insurance Account, Flexi and PESO Funds

## 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
2019	217.98	40.05	195.10	9.85
2018	179.67	28.77	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

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



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

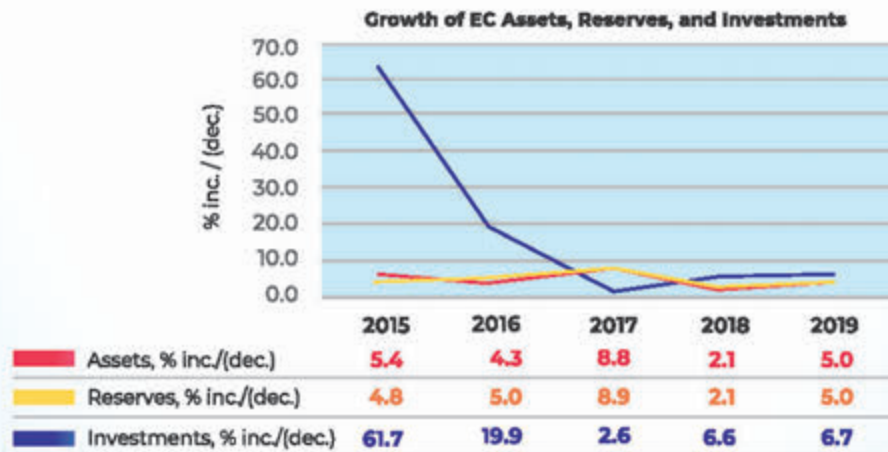
Year	Amount	% inc./(dec.)
2019	53.07	160.5
2018	20.37	10.9
2017	18.38	(38.1)
2016	29.69	(23.9)
2015	38.99	(9.7)



**EMPLOYEES' COMPENSATION & STATE INSURANCE FUND**

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

Year	Assets	Reserves	Investments
2019	40.33	40.32	39.30
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

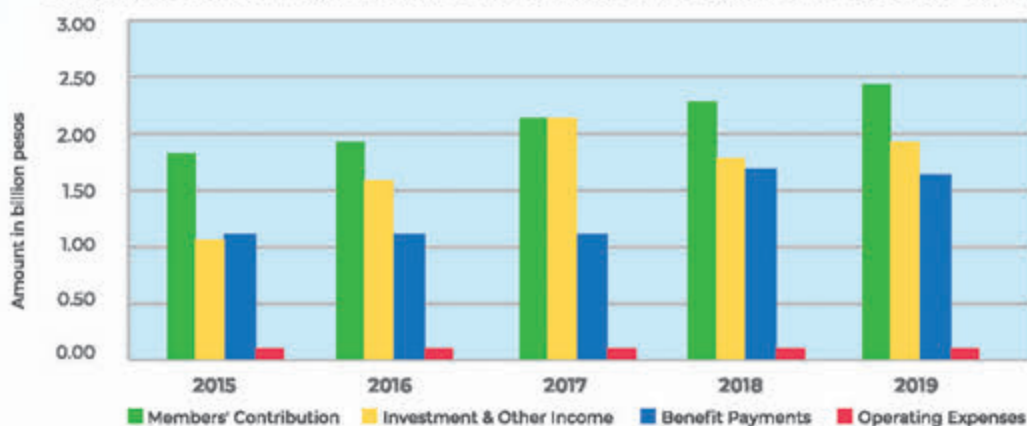


## EMPLOYEES' COMPENSATION & STATE INSURANCE FUND PROGRESS OF OPERATIONS

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

Year	Members' Contribution	Investment & Other Income	Benefit Payments	Operating Expenses
2019	2.40	1.94	1.66	0.08
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

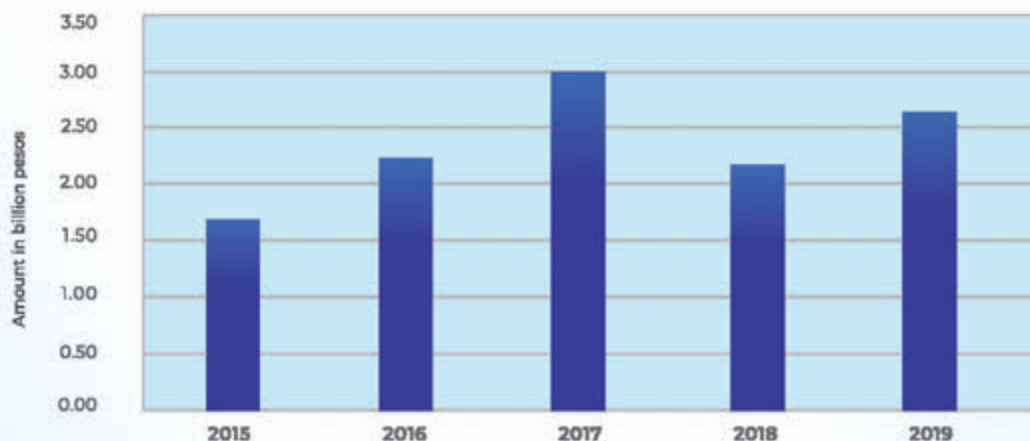
**EC Members' Contribution, Investment & Other Income, Benefit Payments, and Operating Expenses**



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

Year	Amount	% Inc./dec.
2019	2.60	18.4
2018	2.20	(26.8)
2017	3.00	29.4
2016	2.32	36.4
2015	1.70	32.6

**EC Net Revenue**





## CORPORATE GOVERNANCE MATTERS

### STATEMENT ON FULL COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The SSS is in full compliance with the Code of Corporate Governance under GCG Memorandum Circular No. 2012-07 covering the following mandates/requirements:

REQUIREMENT	REMARKS
Manual of Corporate Governance	Adopted and approved by the Social Security Commission under Resolution No. 898 issued on 27 November 2013, as amended under Resolution Nos. 597 dated 02 July 2014, 339 dated 29 April 2015, 138 dated 24 February 2016, 322 dated 18 May 2016, 387 dated 22 May 2017, 128 dated 12 February 2019, 352 dated 22 May 2019, 353 dated 22 May 2019, and 254 dated 19 May 2020.
No-Gift Policy	The No-Gift Policy was approved under Section 29 of the Manual of Corporate Governance for the SSS, which was approved under SSC Resolution No. 898-s.2013. Implementing Rules on the SSS No-Gift Policy was approved under SSC Resolution No. 133-s.2014.
Directors and Officers Liability Insurance	Renewal of the Directors and Officers Liability Insurance (DOLI) was approved under SSC Resolution Nos. 456 dated 05 July 2019 and 793 dated 23 October 2019.
Board Committees	The SSC approved under Resolution No. 389 dated 18 June 2019 the streamlined SSC Committees, as follows: <ol style="list-style-type: none"> <li>1. Executive Committee</li> <li>2. Audit Committee</li> <li>3. Risk Management and Investments Committee</li> <li>4. Information Technology and Collection Committee</li> </ol>
Integrated Corporate Reporting System – GOCC Leadership Management System	In the last submission of requirements for the Integrated Corporate Reporting System – GOCC Leadership Management System (ICRS-GLMS), the SSS is among the 46 compliant GOCCs (a requirement under Sec. 44 of the Code of Corporate Governance for GOCCs).
Disclosure and Transparency Requirements	The Social Security System's posting of the following information in its website, in compliance with Sec. 43, Mandatory Website GCG MC No. 2012-07 and in relation to Sec. 15.4 (c): <ul style="list-style-type: none"> <li>• Charter</li> <li>• List of Subsidiaries and Affiliates</li> <li>• Government Corporation Information Sheet (GCIS) as mandated by the GCG in its Memorandum Circular No. 2012-01</li> <li>• Complete listing of the SSC Board of Directors and SSS Senior Officials' attached résumé, and their membership in Board Committees</li> <li>• Complete compensation package of all the board members and officers, including travel, representation, transportation and any other form of expenses or allowances</li> <li>• Information on Board Committees and their Activities/Duties and Responsibilities</li> <li>• Attendance record of Directors in Board and Committee meetings</li> <li>• Latest annual Audited Financial and Performance Report within 30 days from receipt of such Report</li> <li>• Audited Financial Statements in the immediate past three years</li> <li>• Quarterly, and Annual Reports and Trial Balance</li> <li>• Current Corporate Operating Budget</li> <li>• Local and Foreign Borrowings and other forms of liabilities</li> <li>• Government subsidies and net lending</li> <li>• All borrowings guaranteed by the Government</li> <li>• Any material risk factors and measures taken to manage such risks</li> <li>• Performance Evaluation System</li> <li>• Charter Statement/Mission-Vision Statements</li> <li>• Performance Scorecards and Strategy Map</li> <li>• SSS Organizational Chart</li> <li>• CSR Statement</li> <li>• Balance Scorecard</li> <li>• Adoption of a No-Gift Policy approved by the GCG and uploaded on the GOCC's website pursuant to Section 29 of GCG MC No. 2012-07.</li> </ul>
Staff Support to Directors	The SSC members have reasonable support staff and office facilities stationed at SSS Main Office, East Ave., QC and at SSS Bldg., Ayala Ave. cor. Rufino St., Makati City.
CSR 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 November 27, 2013

### SSS MISSION AND VISION CORPORATE STRATEGY

In its December 3, 2018 Strategic Planning, the SSC reviewed the 2018 Performance Scorecard and gave directives to serve as the reference points for 2019 and the Performance Scorecard for 2019, and identified and approved under SSC Resolution No. 998-s.2018, the 2019 strategic directions:

1. Increase the Fund Life of up to at least 2042
2. Establish Accountability
3. Improve Service Quality
4. Improve Corporate Culture

In its February 11, 2019 Special Meeting, the SSC, assisted by Train Station as facilitator, focused the Strategic Planning Workshop to achieve the goals for 2019 and the next five years.

Lined up in the workshop was the review of the existing SSS mission and vision statements, whereby SSS executives were grouped and given the challenge to reflect what would be the wordings for the new mission and vision, taking into consideration the guidelines in assimilation – the use of simple words and the four identified directions/objectives for 2019. All the groups' insights/suggestions/ideas were then consolidated.

After an in-depth exchange of views during the March 4, 2019 board meeting wherein the existing and proposed SSS mission and vision statements were presented, the SSC felt the need to come up with an SSS vision statement that would incorporate the essence of the four strategic directions for 2019 and to revise further the proposed SSS mission statement. The new SSS mission and vision statements will then be submitted to the SSC for its consideration.

## SSS RISK OVERSIGHT

Under its Resolution No. 887 dated November 27, 2019, the SSC approved the Report on the Risk Management and Risk Oversight which provides an assessment of the adequacy of the risk management system in the Social Security System (SSS), as endorsed by the Risk Management and Investments Committee.

**Current Risk Management System in place.** The Enterprise Risk Management (ERM) in the SSS, a holistic approach to risk management, was implemented which focuses on the following key components: 1) Corporate Governance; 2) Line Management; 3) Portfolio Management; 4) Risk Transfer; 5) Risk Analytics; 6) Data and Technology Resources; and 7) Stakeholders Management. The ERM Framework, to ensure the adoption of adequate and effective enterprise-wide risk management system, and the ERM Policy, to ensure adherence to best practices in the identification, analysis, estimation and evaluation of risks, were also developed to support the ERM.

**How are key risks being managed?** In managing risks, effective measures were established under the following risk categories:

- (1) Financial Risks – whereby a Risk Dashboard was developed to identify the financial risks and other financial-related risks, e.g., market, credit and liquidity, that SSS is facing and ensure adherence to the provisions of SSS Law, Policies and Guidelines in Determining and Managing Exposure Limits to Debt and Equity and stock accreditation guidelines;
- (2) Insurance and Demographic Risks – through conduct of actuarial valuation/studies and monitoring of experience;
- (3) Strategic Risks – through monitoring new and pending bills, conduct of regular economic researches/studies, implementation of the "No-Gift Policy", "No Noon Break Policy", "Anti-Fixer Campaign", and "No Smoking Campaign"; and
- (4) Operational Risks – through conduct of regular Risk and Control Self-Assessment through the system and application of the tools to address the operations risks, such as: (a) Privacy Impact Assessment; (b) Personal Equity Investment Policy; and (c) Business Continuity Management Program.

## SSS INTERNAL CONTROLS

Under Board Resolution No. 889 dated November 27, 2019, the SSC approved the report of the Internal Audit Service Group (IASG) on the review of the results of the Baseline Assessment of the Internal Control System of the Social Security System (SSS). Based on IASG's evaluation of SSS Internal Control System, all five control components were found present and functioning, although there is the need to improve in the Risk Assessment, Monitoring, and Control Activities, viz:

CONTROL COMPONENTS	UNIVERSE		CONTROL GAPS & DEFICIENCIES		TOTAL	
	Yes	%Yes	No	%No	Number of Control Attributes	Overall Weight for 5 Components of Internal Control
Control Environment	102	90.27%	11	9.73%	113	48.29%
Risk Assessment	1	9.09%	10	90.91%	11	4.70%
Control Activities	23	51.11%	22	48.89%	45	19.23%
Information and Communication	44	89.80%	5	10.20%	49	20.94%
Monitoring	3	18.75%	13	81.25%	16	6.84%
<b>TOTAL</b>	<b>173</b>	<b>73.93%</b>	<b>61</b>	<b>26.07%</b>	<b>234</b>	<b>100%</b>

## SSS WHISTLEBLOWING POLICY

The Social Security Commission (SSC), in its Resolution No. 193-s.2017 dated March 15, 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                  | g. Making False Written Statements | m. Nepotism  |
| b. Bribery                             | h. Malversation                    | n. Plunder   |
| c. Conflict of Interest                | i. Misappropriation of SSS Assets  | o. Receiving a Commission in SSS Official Transactions |
| d. Destruction/Manipulation of Records | j. Misconduct                      | p. Solicitation of Gifts                               |
| e. Fixing                              | k. Money Laundering                | q. Taking Advantage of Corporate Opportunities         |
| f. Inefficiency                        | l. Negligence of Duty              | 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                                 | g. E.O. No. 292, "Administrative Code of 1987"                                       |
| b. SSS Circulars, Orders, and applicable laws and regulations                                | h. R.A. No. 10149, the "GOCC Governance Act of 2011"                                 |
| c. R.A. No. 6713, "Code of Conduct and Ethical Standards for Public Officials and Employees" | i. GCG Memorandum Circular (M.C.) No. 2012-05, "Fit and Proper Rule"                 |
| d. R.A. No. 3019, "Anti-Graft and Corrupt Practices Act"                                     | j. GCG M.C. No. 2012-06, "Ownership and Operations Manual Governing the GOCC Sector" |
| e. R.A. No. 7080, as amended, "The Plunder Law"  | k. GCG M.C. No. 2012-07, "Code of Corporate Governance for GOCCs"                    |
| f. Book II, Title VII, Crimes Committed By Public Officers, The Revised Penal Code           | l. Violations of R.A. No. 8282, "Social Security Act of 1997"                        |
|  | 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 the person subject of the 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, 12F, SSS Bldg., Makati Ave. corner Rufino St., Makati City or<br>To the Governance Commission for GOCCs, 3F, Citibank Center, 8741 Paseo de Roxas, Makati City 1226  |
| d. Web                  | : www.sss.gov.ph<br>: 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 | d. Termination of contract   |
| b. Demotion in rank, status or salary            | e. Evident bias in performance evaluation  |
| c. Reduction in salary or benefits               | 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   | • All supporting evidence including affidavits of witnesses, if any                           |
| • Specification of charge/s  | • Contact details of the whistleblower (email address, mobile number, etc.)                   |
| • Statement of the relevant and material facts, including the approximate time and place of commission of act being reported | • 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:

- calling the person/s complaint of and/or witnesses to appear for a discussion;
- requiring the complainant, if identified, to a discussion and/or submit added information relevant to the WR;
- requiring the person/s complained of to submit a comment;
- directing the proper office/department to submit papers or documents relevant to the matter subject of the WR;
- conducting the inspection at the workplace of the person/s complained of, and
- 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 President and CEO (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 and the SSC for those occupying the positions of Vice President 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 Complaint Against Retaliation (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, contact number of the 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
- 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**

A motion for reconsideration of the decision may be filed by the party adversely affected thereby within 15 days from receipt of a copy thereof. The Motion 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 REVISED RULES ON ADMINISTRATIVE CASES IN THE CIVIL SERVICE (RRACCS)**

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

#### **SSC TRAINING IN 2019**

<p><b>AURORA CRUZ IGNACIO</b></p>	<p><i>Corporate Governance Orientation Program</i> May 2, 2019 Sponsor: Institute of Corporate Directors</p> <p><i>Professional Directors Program Modules 2 &amp; 3: Strategy and Policy for Directors</i> May 16 &amp; 17, 2019 Sponsor: Institute of Corporate Directors</p> <p><i>Regional Seminar on the Portability of Social Security Rights between ASEAN Member States</i> May 28, 2019 Sponsor: Thailand Development Research Institute Foundation</p> <p><i>Study Tour on the Delivery of Pensions</i> September 14 to 20, 2019 Wellington, New Zealand</p> <p><i>World Social Security Forum</i> October 13 to 18, 2019 Brussels, Belgium</p>
<p><b>ANITA BUMPUS QUITAIN</b></p>	<p><i>Advanced Corporate Governance Training</i> September 6, 2019 Sponsor: Institute of Corporate Directors</p> <p><i>7th Annual Forum on Good Governance, Ethics and Compliance "Good Governance Convergences"</i> October 16, 2019 Sponsor: Good Governance Advocates and Practitioners of the Philippines</p>
<p><b>DIANA PARDO AGUILAR</b></p>	<p><i>Advanced Corporate Governance Training</i> April 30, 2019 Sponsor: Institute of Corporate Directors</p> <p><i>The Corporate Governance Enhancement Session on 5G Technology Strategy and Governance: Market Trends and New Business Applications, Risks and Challenges; and Cyber Security: Protecting Critical Business Infrastructure</i> September 26, 2019 Sponsor: PXP Energy Corporation</p>
<p><b>BAI NORHATA MACATBAR ALONTO</b></p>	<p><i>Orientation on the SSS and the SSC for New SSC Members</i> December 17, 2019</p> <p><i>Orientation on SSS Investments and Financials for New SSC Members</i> January 8, 2020</p>
<p><b>MICHAEL G. REGINO</b></p>	<p><i>7th Annual Forum on Good Governance, Ethics and Compliance "Good Governance Convergences"</i> October 16, 2019 Sponsor: Good Governance Advocates and Practitioners of the Philippines</p> <p><i>Advanced Corporate Governance Training</i> November 25, 2019 Sponsor: Institute of Corporate Directors</p>
<p><b>RICARDO L. MOLDEZ</b></p>	<p><i>Corporate Governance and Risk Management (for Banks and Quasi-Banks)</i> April 11 &amp; 12, 2019 Sponsor: Ateneo-BAP Institute of Banking</p> <p><i>Professional Directors Program Modules 2 &amp; 3: Strategy and Policy for Directors</i> May 16 &amp; 17, 2019 Sponsor: Institute of Corporate Directors</p>
<p><b>MANUEL L. ARGEL, JR.</b></p>	<p><i>Orientation on the SSS and the SSC for New SSC Members</i> September 19, 2019</p> <p><i>Orientation on SSS Investments and Financials for New SSC Members</i> October 19, 2019</p> <p><i>Corporate Governance Orientation Program for GOCCs</i> October 17, 2019 Sponsor: Institute of Corporate Directors</p>
<p><b>SANTIAGO D.R. ACDEPPA</b> Commission Secretary, Executive Commission Clerk, and Compliance Officer</p>	<p><i>Future of Work and Social Security Talk</i> November 15, 2019 Sponsor: Philippine Social Security Association (PHILSSA)</p> <p><i>Contract Review Symposium for GOCCs</i> November 18, 2019 Sponsor: Governance Commission for Government Owned or Controlled Corporation</p>

The Office of the Commission Secretary, Executive Commission Clerk and Compliance Officer coordinated with the Human Resource Services Division on the registration of SSC Members to various seminars/trainings as part of the ongoing and continuous professional education and training of the SSC Members and Commission officer/s (provided for under Section 27, 3rd par. [b], Manual of Corporate Governance for the Social Security System, approved under SSC Resolution No. 138 dated 24 February 2016).



## CARLOS G. DOMINGUEZ III

SECRETARY, DEPARTMENT OF FINANCE  
CHAIRPERSON, SOCIAL SECURITY COMMISSION

- ▶ As the Secretary of Finance, he also serves as Chairman of the Land Bank of the Philippines and the Philippine Deposit Insurance Corporation, and is a member of the Monetary Board.
- ▶ Served as Secretary of the Departments of Natural Resources, and of Agriculture during the Presidency of Corazon Aquino.
- ▶ Served as President of Philippine Airlines, the Philippine Associated Smelting and Refining Corporation, and the former Bank of the Philippine Islands Agricultural Development Bank.
- ▶ Served as Chairman of the board of Republic Planters Bank and RCBC Capital Corporation.
- ▶ Completed his Master's Degree in Business Administration from Ateneo de Manila University and attended the Executive Management Program at the Stanford University.



## AURORA C. IGNACIO

SSS PRESIDENT AND CHIEF EXECUTIVE OFFICER  
VICE CHAIRPERSON, SOCIAL SECURITY COMMISSION

Date of Birth: 17 July 1956  
Place of Birth: Dagupan City, Pangasinan  
Age: 63  
Sex: Female

- ▶ Aurora C. Ignacio was appointed as the first PCEO of the SSS under Republic Act No. 11199 or the "Social Security Act of 2018" on 28 March 2019. Prior to her appointment as PCEO, she was the Chairperson of the Social Security Commission.
- ▶ Formerly the Assistant Secretary for Special Projects in the Office of the President, Malacañang, the Focal Person for Anti-Illegal Drugs by virtue of Presidential Directive No. 5. She also served as a Guest Member of the Dangerous Drugs Board, a Principal Member of Task Force on the Establishment of Rehabilitation and Treatment Centers for Drug Users, and a Council Member of the National Food Authority.
- ▶ SSS Nominee-Director in the boards of Union Bank of the Philippines and the Philippine Long Distance Telephone Company in 2019.
- ▶ Member of the former SSC Committees (Investments Oversight, Governance, Organization and Appointments, Media and Communications, Coverage and Collection, Risk Management, Information Technology, and Audit Committees).
- ▶ On 18 June 2019, she was designated member in two streamlined SSC Committees: Executive Committee and the Risk Management and Investments Committee.
- ▶ Obtained her Bachelor of Science degree in Commerce, Banking and Finance from the Centro Escolar University.



## SILVESTRE H. BELLO III

SECRETARY, DEPARTMENT OF LABOR AND EMPLOYMENT (DOLE)  
EX-OFFICIO MEMBER, SOCIAL SECURITY COMMISSION

Date of Birth: 23 June 1944  
Age: 75  
Sex: Male

- ▶ DOLE Secretary Silvestre H. Bello III is ex-officio member of the SSC and was designated member of the SSC Executive Committee.
- ▶ Secretary Bello's other past professional and civic involvements include: president and chief executive officer of the Philippine National Oil Company- Development & Management Corporation; general manager and chief executive officer of the Philippine Reclamation Authority; presidential adviser for New Government Centers; Cabinet Oversight Officer for Indigenous Peoples and National Commission on Indigenous Peoples Matters; Cabinet Officer for Regional Development for Region II; Cabinet Secretary; and a member of 16th Congress representing IBAP Party List Representative.
- ▶ He also sat on the boards of companies such as Camp John Hay Development Corporation, San Miguel Corporation, CAP Realty Inc., College Assurance Plan, Comprehensive Annuity Plan & Pension Corp., Red Eagle Lending Investors Corp., CAP Life Insurance Corp., CAP General Insurance Corp., Puerto Azul, Baguio Country Club, Philippine Plaza Hotel, Urban Bank, and Ambassador Hotel, and was on the Board of Advisors of Philippine Airlines.
- ▶ He is a distinguished associate of various law offices namely: Yulo & Bello; Yulo, Torres & Bello; Yulo, Quisimbing, Torres, Ali & Bello; Yulo, Torres, Tarriela & Bello; Tanjuatco, Oreta & Factoran; Pinlac, Feliciano, Partiza, Mojica & Bello.





## BAI NORHATA DEMARUNSIING MACATBAR ALONTO

MEMBER, SOCIAL SECURITY COMMISSION

Date of Birth: 5 June 1950  
Place of Birth: Masiu, Lanao del Sur  
Age: 69  
Sex: Female

- ▶ Bai Norhata Demarunsing Macatbar Alonto was appointed to the SSC on 3 December 2019.
- ▶ Formally served as Executive Assistant V/Chief of Staff to the Chairman of Mindanao Development Authority (October 2017 to May 2019).
- ▶ Focal Person of foreign-assisted development programs for the Bangsamoro in the Office of the Chairman, Mindanao Development Authority.
- ▶ Member of the Board of Directors in the Office of the President-ARMM Social Fund Board (2003 to 2004); Member of the Board of Directors in the Office of the President-Bataan Shipyard and Engineering Corporation (2003 to 2004); and Commissioner of the Presidential Commission for Urban Poor, Office of the President (2001 to 2002).
- ▶ Presidential Assistant for Muslim Mindanao, Office of the President (1999 to 2001).
- ▶ College Instructor in the College of Arts and Sciences, Mindanao State University (1972 to 1979) and Guidance Counselor, Preparatory High School, Mindanao State University (1970 to 1972).
- ▶ Head of Secretariat in the All Moro Convention, Mindanao (November 2017).
- ▶ Former Vice President and now Member of the 16th President Cabinet Spouses Foundation, and Regional Governor of the National Council of Women in the Philippines.
- ▶ Completed her AB Psychology degree at the Philippine Women's University and MA Psychology at the University of the Philippines.
- ▶ Earned units in Master's in Business Administration at the Asian Institute of Management.



## DIANA PARDO AGUILAR

MEMBER, SOCIAL SECURITY COMMISSION

Date of Birth: 27 October 1963  
 Place of Birth: Manila  
 Age: 56  
 Sex: Female

- ▶ Diana Pardo Aguilar was reappointed as SSC member on 28 November 2016.
- ▶ Chairperson of the SSC Risk Management and Investment Committee, and member of the Audit Committee.
- ▶ Vice-Chairperson of the SSS Provident Fund.
- ▶ SSS Nominee-Director in the board of PXP Energy Corporation (February 2018 to present) and appointed as member of the Board Risk and Resource Oversight Committee since June 2018.
- ▶ SSS Nominee-Director in the Board of Philex Mining Corporation (November to present) and appointed as member of the Finance Committee and Nominations Committee.
- ▶ Director of Security Bank Corporation (April 2017 to present) and appointed as Chairperson of the Trust Committee, and member of Technology Execution Excellence Committee, Related Party Transactions Committee and Risk Oversight Committee. She is also the Chairperson of SB Capital Investment Corporation (August 2016 to present).
- ▶ Board of Trustees of La Salle Greenhills (September 2019 to present) and appointed as Treasurer and Chairperson of the Finance Committee (December 2019 to present).
- ▶ Member of De La Salle Philippines' Investment Committee (July 2018 to present).
- ▶ Independent Director of the Medical Doctors, Inc. (Makati Medical Center) from July 2018 to present.
- ▶ Board Member of Capital Markets Development Board (2013 to present), of the Employers Confederation of the Philippines (ECOP), and of the Philippine Chamber of Commerce and Industry.
- ▶ Consultant Advisor to the Board of Philippine Seven Corporation (January 2015 to present) and also an advisor to the Executive, Audit and Nomination and Governance Committees.
- ▶ ECOP Governor (January 2017 to present).
- ▶ She holds the degree of B.S. Computer Studies from De La Salle University, and a Master's in Business Administration degree, Major in International Business and Finance (with honors), from the Pepperdine University in California, USA.



## ANITA BUMPUS QUITAIN

MEMBER, SOCIAL SECURITY COMMISSION

Date of Birth: 1 November 1946  
 Place of Birth: Sta. Cruz, Davao Del Sur  
 Age: 73  
 Sex: Female

- ▶ Anita Bumpus Quitain was appointed to the SSC on 6 October 2016.
- ▶ SSS Nominee-Director in the boards of Philex Mining Corporation and First Philippine Holdings in 2019.
- ▶ Member of the former SSC Committees on 1) Investments Oversight, 2) Governance, Organization and Appointments, 3) Media and Communications, 4) Coverage and Collection, 5) Risk Management, and 6) Information Technology.
- ▶ Chaired the Audit Committee in 2019, and on June 18, was designated member in the Information Technology and Collection Committee.
- ▶ In July 2009, she retired from SSS after 31 years of dedicated service, during which period she was officer-in-charge of operations of the SSS Representative Office in Digos City, Davao del Sur and held the position of Head in the various Sections of the SSS office in Region 9, Davao City, to wit: 1) Member Assistance, 2) Operations Accounting, 3) Sickness, Disability and Maternity, and 4) Real Estate.
- ▶ Worked with the Department of Education as an elementary school teacher for 10 years and also taught in the Philippine Women's College of Davao.
- ▶ A graduate of the University of Mindanao, Davao City, in Education.



**MANUEL L. ARGEL, JR.**

MEMBER, SOCIAL SECURITY COMMISSION

Date of Birth: 23 July 1949  
 Place of Birth: Vigan City, Ilocos Sur  
 Age: 70  
 Sex: Male

- ▶ Judge Manuel L. Argel, Jr. was appointed SSC member on 4 September 2019, representing the Employers' Group.
- ▶ Commissioner Argel is a retired Regional Trial Court Judge for Laoag City, Ilocos Norte, and member of the Judiciary for 20 years. Prior to this, he was a law practitioner for 20 years.
- ▶ Prior to his service in the Judiciary, he served the Legislative Department when he was elected in 1980 as a member of the Sangguniang Bayan of Vigan City. In 2008, he was given the Legislator's Award by the City Government of Vigan in recognition of his accomplishments and contributions as former legislator of Vigan City.
- ▶ In 1995, while in private practice, he was accredited as a Voluntary Labor Arbitrator of the DOLE National Conciliation and Mediation Board.
- ▶ He served as President of the Integrated Bar of the Philippines (Ilocos Sur Chapter) from 1993 to 1995, Provincial Secretary of National Citizens' Movement for Free Elections, Chairman of the Ilocos Sur Local Amnesty Board, a member of the People's Assistance Development Action Center, Inc. He is a Charter Grand Knight and Lecturer-Member of the Knights of Columbus.
- ▶ As RTC Judge of Laoag City, Ilocos Norte from 1995, he also served as Executive Judge of RTC Laoag (2005 to 2007), and Presidential Assistant for Region I in the Philippine Judges Association.
- ▶ He is a distinguished alumnus of San Beda University, where he obtained both his Bachelor of Arts in Philosophy in 1969 and Bachelor of Laws in 1974.



## RICARDO L. MOLDEZ

MEMBER, SOCIAL SECURITY COMMISSION

Date of Birth: 30 July 1947  
Place of Birth: Brgy. Buli, Muntinlupa City  
Age: 72  
Sex: Male

- ▶ Atty. Ricardo L. Moldez joined the SSC on 26 September 2018.
- ▶ In 2019, he was designated member of the SSC Committees on Coverage, Collection and Other Related Matters, Media and Communications, Risk Management, Investments Oversight, Governance, Organization and Appointments, Information Technology, and Audit.
- ▶ On 18 June 2019, under the streamlined SSC Committees, he was designated member of the Executive Committee and the Audit Committee.
- ▶ Represented the SSS in the Boards of the City Savings Bank and Belle Corporation in 2019.
- ▶ A litigation lawyer with more than 40 years of experience, including the following: Appointed Board Member, Human Rights Victims' Claims Board (2017 to 2018); Special Counsel, Department of Justice (1974 to 1976); Municipal Attorney, Muntinlupa City (1974); Court Interpreter, Municipal Court of Muntinlupa (1969 to 1971).
- ▶ Holds a Law degree from the Lyceum of the Philippines, Manila, and was admitted to the Bar in 1972.



**MICHAEL G. REGINO**  
MEMBER, SOCIAL SECURITY COMMISSION

Date of Birth: 14 August 1961  
Place of Birth: Dipolog, Zamboanga Del Norte  
Age: 58  
Sex: Male

- ▶ Commissioner Michael G. Regino was appointed as SSC member on 24 October 2016 and reappointed on 25 January 2019.
- ▶ In 2019, he was designated member of the following SSC Committees: Coverage, Collection and Other Related Matters; Media and Communications; Investments Oversight; Governance, Organization and Appointments, and Information Technology. He served as chairperson of the Risk Management Committee.
- ▶ On 18 June 2019, under the streamlined SSC Committees, he was designated chairperson of the Information Technology and Collection Committee, and member of the Risk Management and Investments Committee.
- ▶ SSS Nominee-Director in the Boards of Union Bank of the Philippines and Philex Mining Corporation for 2019.
- ▶ Has more than 30 years of corporate experience from various industries, including mining, real estate development, memorial parks development, property management, construction and housing materials manufacturing.
- ▶ Served as president and/or a member of the board of directors of Camella Homes, Golden Haven Memorial Parks, Inc., MGS Group of Companies, St. Augustine Gold and Copper Ltd., TVI Resources Development Phils., Inc., and Agata Mining Ventures, Inc.
- ▶ Graduated Cum Laude from Ateneo de Zamboanga University in 1981, with a degree of Bachelor of Science major in Economics, then obtained his Master's in Business Administration in 1985 from Ateneo de Manila University.

OFFICE OF THE CORPORATE SECRETARY  
TO THE COMMISSION

INTERNAL AUDIT  
SERVICE GROUP



**SANTIAGO DIONISIO R. AGDEPPA**  
SVP, COMMISSION SECRETARY,  
COMPLIANCE OFFICER AND  
EXECUTIVE COMMISSION CLERK



**JOSEFINA O. FORNIÑOS**  
SVP, INTERNAL AUDIT SERVICE GROUP

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



**RIZALDY T. CAPULONG**  
EVP, INVESTMENTS SECTOR

**AURORA C. IGNACIO**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

**ELVIRA G. ALCANTARA-RESARE**  
EVP, CORPORATE SERVICES SECTOR  
AND CONCURRENT ACTING HEAD,  
HUMAN RESOURCE MANAGEMENT GROUP



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



**VOLTAIRE P. AGAS**  
SVP, LEGAL AND ENFORCEMENT GROUP

**JUDY FRANCES A. SEE**  
EVP, BRANCH OPERATIONS SECTOR  
AND CONCURRENT ACTING HEAD,  
NCR OPERATIONS GROUP

**PEDRO T. BAOY**  
SVP, LENDING AND ASSET MANAGEMENT  
GROUP, CONCURRENT ACTING HEAD,  
CAPITAL MARKETS GROUP AND  
CONCURRENT ACTING HEAD,  
ASSET MANAGEMENT DIVISION

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



**MARIO R. SIBUCAO**

SVP, MEMBER SERVICES AND  
SUPPORT GROUP AND CONCURRENT  
ACTING HEAD, MEMBER RELATIONS  
AND SUPPORT DIVISION

**ERNESTO D. FRANCISCO JR.**

SVP, FUND MANAGEMENT GROUP

**JOSIE G. MAGANA**

SVP, LUZON OPERATIONS GROUP

**EDGAR B. CRUZ**

SVP & CHIEF ACTUARY, ACTUARIAL  
AND RISK MANAGEMENT GROUP

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



**RODRIGO B. FILOTEO\***

ACTING SVP, MINDANAO OPERATIONS GROUP AND VP, MINDANAO WEST DIVISION

**JOY A. VILLACORTA\***

ACTING SVP, INTERNATIONAL OPERATIONS GROUP AND CONCURRENT ACTING HEAD, ASIA, AMERICAS AND PACIFIC OPERATIONS DIVISION

**HELEN C. SOLITO**

SVP, VISAYAS OPERATIONS GROUP

**ANTONIO S. ARGABIOSO\***

ACTING SVP, ACCOUNT MANAGEMENT GROUP, VP, LARGE ACCOUNTS DIVISION AND CONCURRENT ACTING HEAD, NCR LARGE ACCOUNTS DEPARTMENT

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



**JOHNSY L. MANGUNDAYAO\***  
ACTING SVP, ADMINISTRATION GROUP

**LEONORA D. NUQUE\***  
ACTING SVP, CENTRAL PROCESSING  
GROUP AND VP, NCR REGIONAL  
PROCESSING DIVISION

**JEAN V. LAGRADA\***  
ACTING SVP, CONTROLLERSHIP  
GROUP AND VP, FINANCIAL AND  
BUDGET DIVISION

**GWEN MARIE JUDY D. SAMONTINA\***  
ACTING SVP, INFORMATION TECHNOLOGY MANAGEMENT GROUP  
AND VP, PROGRAM SERVICES DIVISION

**SOCIAL SECURITY COMMISSION**

CARLOS G. DOMINGUEZ III  
Chairperson

AURORA C. IGNACIO  
Vice-Chairperson

BAI NORHATA M. ALONTO  
MANUEL L. ARGEL JR.  
SILVESTRE H. BELLO III  
ANITA BUMPUS-QUITAIN  
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

**\*ACTING DEPUTY COMMISSION CLERK**

NAOMI A. ANTAZO\*  
Deputy Commission Clerk

**DEPARTMENT MANAGER III AND  
\*ACTING HEAD**

MARY LYN Y. DAVID\*  
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

**SSS MANAGEMENT**

**PRESIDENT AND CEO**

AURORA C. IGNACIO  
Office of the President and CEO

**EXECUTIVE VICE PRESIDENT**

ELVIRA G. ALCANTARA-RESARE  
Corporate Services Sector and  
Concurrent Acting Head, Human  
Resource Management Group

RIZALDY T. CAPULONG  
Investments Sector

JUDY FRANCES A. SEE  
Branch Operations Sector and  
Concurrent Acting Head,  
NCR Operations Group

**SENIOR VICE PRESIDENT AND  
\*ACTING HEAD**

VOLTAIRE P. AGAS  
Legal and Enforcement Group

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

PEDRO T. BAOY  
Lending and Asset Management Group,  
Concurrent Acting Head,  
Capital Markets Group and  
Concurrent Acting Head,  
Asset Management Division

EDGAR B. CRUZ  
Actuarial and Risk Management Group

RODRIGO B. FILOTEO\*  
Mindanao Operations Group and  
Vice President, Mindanao West Division

JOSEFINA O. FORNILOS  
Internal Audit Service Group

ERNESTO D. FRANCISCO JR.  
Fund Management Group

JEAN V. LAGRADA\*  
Controllership Group and  
Vice President, Financial  
and Budget Division

JOSIE G. MAGANA  
Luzon Operations Group

JOHNSY L. MANGUNDAYAO\*  
Administration Group

LEONORA D. NUQUE\*  
Central Processing Group and  
Vice President, NCR Regional  
Processing Division

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

MARIO R. SIBUCAO  
Member Services and  
Support Group and  
Concurrent Acting Head,  
Member Relations and  
Support Division

HELEN C. SOLITO  
Visayas Operations Group

JOY A. VILLACORTA\*  
International Operations Group  
and Concurrent Acting Head,  
Asia, Americas and Pacific  
Operations Division

**VICE PRESIDENT AND  
\*ACTING HEAD**

HELEN L. ABOLENCIA  
NCR North Division

VILMA P. AGAPITO  
Luzon Central 1 Division

MARIA RITA S. AGUJA  
NCR South 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 and  
Concurrent Acting Head,  
Visayas West 2 Division

HIDELZA B. CASTILLO  
ICT Support Services Division

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

MARIO V. CORRO  
Visayas Central 2 Division

RENATO JACINTO S. CUISIA\*  
Operations Legal Services Division I  
and Concurrent Acting Head,  
Operations Legal Services Division II

DORENDA M. DASMARIÑAS-PAN\*  
Procurement Management Division

\*Officer-in-Charge

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

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

ROSANO L. DELMO\*  
Internal Audit Service Division I

NILO D. DESPUIG  
Luzon Bicol Division

EDWIN B. DINCOG JR.\*  
Equities Investments Division  
and Concurrent Acting Head,  
Alternative Investments Division

NORMITA M. DOCTOR  
Benefits Administration Division

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

MA. VIANNEY O. GO\*  
Operations Accounting Division

FRANCISCO PAQUITO L. LESCANO\*  
Luzon South 2 Division

LUZVIMINDA J. LIMCAUCO  
NCR West Division

EDWIN B. MALIWAT\*  
General Services Division

GILDA VICTORIA C. MENDOZA  
Investments Support Division

FROILAN M. MISA\*  
Internal Audit Service Division II

ALBERTO L. MONTALBO\*  
Visayas Central 1 Division

FERNANDO F. NICOLAS\*  
Public Affairs and Special Events  
Division and Department Manager III,  
Media Affairs Department

BOOBIE ANGELA A. OCAY  
Fixed Income Investments Division  
and Concurrent Acting Head,  
Member Loans Department

ALAN GENE O. PADILLA  
IT Solutions Division

CEASAR P. SALUDO  
Luzon North 1 Division

ELENITA S. SAMBLERO  
Luzon South 1 Division

TERESITA V. SOLIMAN\*  
NCR East Division

SYLVETTE C. SYBICO\*  
Middle East and Europe  
Operations Division and  
Department Manager III,  
Foreign Operations Support  
Services Department

GUILLERMO M. URBANO JR.  
Treasury Division

MIRIAM A. VILLALBA  
Visayas and Mindanao  
Regional Processing Division

BRENDA P. VIOLA  
Medical Services Division

REDECTOR S. VIOLA\*  
Mindanao South 2 Division

JOSELITO A. VIVIT  
Corporate Legal Services Division

**DEPARTMENT MANAGER III AND  
\*ACTING HEAD**

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

MA. GRACIA D. ABAS  
Business and Development  
Loans Department

LEO CALIXTO C. ABAYON  
Network and Communications  
Department

MAY O. ABERIN  
Financial and Investments  
Audit Department

BLESSELDA M. ACOSTA\*  
Luzon North 1 Legal Department

CHERRYLYN E. ALEGRE\*  
Accreditation Department

NICOLAS L. ARAC\*  
NCR West Legal 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

BALTAZAR C. CAJILIC\*  
Engineering and Facilities  
Management Department

ARCELI G. CARLOS\*  
Member Electronic Services Department

JOSEPH LAMBERTO P. CARLOS  
Valuation Services Department

MARY ANN D. CASTELO\*  
Securities Settlement and  
Custody Department

JOMAR C. CATABAY\*  
NCR North Legal Department

RAUL P. CINCO  
Mindanao North Legal Department

ROBERT B. CLEMENTE  
Information Systems Department IV

COLETTE H. CORDIAL  
Corporate Policy and Planning Department

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 Head,  
IT Operations Analysis Department

ELPIDIO S. DE CHAVEZ  
Branch Support Services Department

HAYDEE P. DE GUZMAN\*  
Retirement, Death and Funeral Benefits  
Administration 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

\*Officer-in-Charge

MA. DOROTHEA R. DIMLA  
Liquidity Management and  
Bank Deposits 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

MARIA NIMFA V. FRANCO  
Management Support  
Services Department

ROGELIO A. FUNTELAR  
Technical Support Department

ALLAN MARTIN M. GAYONDATO  
Statistics and Data Analysis Department

NEIL F. HERNAEZ  
Visayas and Mindanao  
Large Accounts Department

RACHEL P. JABOLI\*  
Special Investigation Department

STELLA C. JOSEF  
IT Governance and Standards Department

JUNJIE M. LABANGCO\*  
Security Department

YOLANDA C. LADONGA  
Cash Management Department

TERESITA D. LANDICHO\*  
Luzon, Visayas and Mindanao  
Audit Department

ROGELIO V. LANUZA  
Hosting Services Department

BLESILA V. LIM\*  
NCR and Foreign Audit Department

MARIA EMILY C. LIM  
Information Systems Department III

MYLENE H. LORICA  
Strategic Decision and  
Technical Support Department

ELOISA A. MAGLAYA\*  
Health Care Department

MA. ELA R. MANZON  
Visayas West 1 Legal Department

ALEXANDER C. MARQUEZ\*  
Procurement and Special  
Audit Department

LUCRECIA C. MARTINEZ\*  
Member Communications  
and Assistance Department

PATRICIA B. NAZARENO\*  
Mindanao South Legal Department

ANDRILINE A. OBEDOZA\*  
Documentation and  
Conveyancing 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

FAUSTINO P. PICONES  
Project Management Office

JEFFREY S. PITOC\*  
Investments Accounting Department

ROBERTO U. PUTONG\*  
Medical Program Department

MA. NYMPHA M. RAGEL  
Cooperatives and Informal  
Sector Department

HYDEE R. RAQUID  
Procurement Planning and  
Management Department

DEXTER Q. REBLORA\*  
Budget Department

MARICHELLE L. REYES\*  
Benefits Oversight and Review Department  
and Department Manager II, Voluntary  
Provident Fund Department

CECILIA S. ROA  
Contributions Accounting  
Department

MA. SALOME E. ROMANO  
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

LILIA A. TUBONGBANUA\*  
Information Systems Audit Department

JOSE RANIL R. UGADDAN\*  
Overseas Filipino Workers Management Department

STELLA BERNA LO BLESILDA D. VALENTONA-INACAY  
NCR South Legal Department

RENE T. VICENTE\*  
Corporate Service Audit Department

CAROLINA V. VILLA\*  
Performance Management and  
Employee Relations Department

CARLO C. VILLACORTA\*  
Professional Sector Department

MARC A. VILLANUEVA\*  
Luzon South 2 Legal Department

MARIVIC S. VILLARAMA  
Data and Information  
Services Department

#### CENTRAL PROCESSING GROUP

#### NCR REGIONAL PROCESSING DIVISION

NAMNAMA C. ABELLA  
Diliman Processing Center

CHARISSE M. CASTRO  
Pasig Processing Center

#### LUZON REGIONAL PROCESSING DIVISION

MARIA TERESA D. BUSTAMANTE  
La Union Processing Center

GERARDA N. TERRIBLE  
Tarlac Processing Center

MILYN G. VALENCIA\*  
San Pablo Processing Center

#### VISAYAS AND MINDANAO REGIONAL PROCESSING DIVISION

MARIA TERESA L. GELBOLINGO  
Cebu Processing Center

MARICEL A. LOCSIN  
Iloilo Processing Center

JEANETTE A. MAKIG-ANGAY  
Davao Processing Center

GILDA L. QUINA\*  
Cagayan De Oro Processing Center

\*Officer-In-Charge

**BRANCH HEAD VII/III AND  
\*ACTING HEAD****NCR OPERATIONS GROUP****NCR NORTH DIVISION**

MARTIN D. BAUTISTA JR.  
Navotas Branch

CAROLINA L. CASTRO  
Cubao Branch

LYDIA C. CERENO  
Novaliches Branch

ORLANDO D. CRUZ\*  
Kalookan Branch

RUTH A. DE GUZMAN  
Malabon Branch

JUANILLO S. DESCALZO III  
Congressional Branch

EVELYN L. DUPLON  
Diliman Branch

EMMA J. ENRIQUEZ  
Valenzuela Branch

ROWENA A. FESALBON  
Eastwood Branch

JOCELYN Q. GARCIA  
San Francisco Del Monte Branch

LIBERTY A. GORDOVEZ  
Fairview Branch

ROWELA CRISTINA R. MACASADIA  
Batasan Hills Branch

LORELIE L. OLARTE  
North Caloocan Branch

DIVINA GRACIA B. RAYMUNDO\*  
Paso De Blas Branch

RONALDO W. RECIO  
Deparo Branch

**NCR EAST DIVISION**

EDNA Q. ALDEA  
Tanay Branch

ZENAIDA B. BOLADO  
Pasig-Rotunda Branch

WENDELINO V. COMBOY JR.  
Ortigas Branch

MARICRIS G. DELUMEN\*  
Marikina-Malanday Branch

BENJAMIN M. DOLINDO JR.\*  
New Panaderos Branch

BERLITA F. FABRERO  
Antipolo Branch

RONALD D. IBAY  
Cainta Branch

HELEN C. LABAO  
Marikina Branch

SUSAN REBECCA D. LARION  
San Juan Branch

ALICIA A. MILLARA  
Masinag Branch

FELIZARDO B. MINOR JR.  
Pasig-Pioneer Branch

VICTOR C. OCAMPO\*  
Pasig-Rosario Branch

ANNABELLA POLLYANNE M. ROMASOC  
Mandaluyong-Shaw Branch

MARICHI S. TRINIDAD  
San Mateo Branch

**NCR SOUTH DIVISION**

JESUS ARNEL A. ARCILLA\*  
Makati-Guadalupe Branch

JULIET T. BOLINAO\*  
Bicutan-Sun Valley Branch

JESUSA T. CASIMIRO\*  
Makati-Gil Puyat Branch

LEO A. DANAO  
Makati-J.P. Rizal Branch

FE MARIE S. FERNANDEZ-GERALDO  
Las Piñas Branch

CRISTINE GRACE B. FRANCISCO  
Makati-Chino Rocas Branch

CATHERINE T. GOMEZ  
Alabang-Zapote Branch

SHIRLEY E. NAVALTA\*  
Alabang-Muntinlupa Branch

FE B. NUNEZ  
Taguig-Gate 3 Branch

RHUENA ANNE MARIE C. OCAMPO  
Parañaque-Tambo Branch

HOECHST R. POTATO\*  
Parañaque Branch

ROMEO F. VALE\*  
Taguig Branch

**NCR WEST DIVISION**

JOSEPHINE D. ANG\*  
Manila Branch

LAZARO D. CANLAS\*  
Binondo Branch

DANIEL T. CAPUT  
Pasay-Roxas Boulevard Branch

AMALIA M. CATRAL  
Recto Branch

DOLORA Q. HOJILLA\*  
Legarda Branch

CARINA F. LORENZO\*  
Sta. Mesa Branch

TEODULO A. MAYUYO\*  
Tondo Branch

LORENZA F. PANCHO  
Pasay-Taft Branch

EUDORA G. RACUYAL\*  
Binondo-Reina Regente Branch

VERONICA C. RODRIGUEZ\*  
Welcome Branch

**LUZON OPERATIONS GROUP****LUZON NORTH 1 DIVISION**

RODERICK M. ANDRADA  
Agoo Branch

AMOR P. ERPELO\*  
Candon Branch

CAROLINE C. KAPAWEN\*  
Bontoc Branch

DOMINADOR G. MALATAG\*  
La Trinidad Branch

FRANCISCO F. PENTECOSTES\*  
La Union Branch

RICHARD M. RARALIO\*  
Laoag Branch

CECILLE T. SALLY  
Vigan Branch

NANCY M. UMOSO  
Baguio Branch

EDWARD G. URUA  
Bangued Branch

**LUZON NORTH 2 DIVISION**

JANET D. CANILLAS\*  
Tuguegarao Branch

GUADALUPE D. CASTILLO  
Ilagan Branch

REYNANTE T. FERNANDO\*  
Cauayan, Isabela Branch

JEANNIE D. MESA\*  
Santiago, Isabela Branch

ROMEO E. REYES  
Solano Branch

**LUZON CENTRAL 1 DIVISION**

JOSE ALVIN M. ALTRE  
Alaminos Branch

CATALINA A. BASBAS\*  
San Carlos, Pangasinan Branch

HAIDEE G. BINAG\*  
San Jose, NE Branch

\*Officer-in-Charge



CHRISTIAN C. CATA CUTAN\*  
Baler Branch

JORDAN A. HERRERA  
Mariveles-BEPZ Branch

ELIZABETH C. GABON  
Iba Branch

EMMA M. LAURETA  
Camiling Branch

MARIA MAXIMA C. MACARAEG  
Tarlac Branch

NARCISO M. MARTINEZ JR.  
Urdaneta Branch

MONALISA C. NARDO\*  
Dagupan Branch

PRIMITIVO D. VERANIA JR.  
Cabanatuan Branch

JOEL Y. VILLAFUERTE  
Balanga Branch

#### LUZON CENTRAL 2 DIVISION

WINDA G. AGUSTIN\*  
San Jose Del Monte Branch

MIRIAM A. CAMILING\*  
Sta. Maria Branch

NORMITA M. CRUZ  
Angeles Branch

MARITES A. DALOPE  
Balluag Branch

PABLITA A. DAVID  
Pampanga Branch

ALBINA LEAH C. MANAHAN\*  
Malolos Branch

CHELIN LEA D. NABONG\*  
Dau Branch

MA. THERESA A. RIBUYACO  
Meycauayan Branch

MARILOU M. SANTOS  
Olongapo Branch

JUSTINA C. TANEDO  
Bocaue Branch

#### LUZON SOUTH 1 DIVISION

ROMAN R. BELEN  
Sta. Cruz Branch

LETICIA M. DEL BARRIO\*  
Dasmariñas Branch

MONICA P. DINO  
Tagaytay Branch

ELEANOR R. EBREO  
Carmona Branch

ANNA PEACHY P. GURANGO\*  
Infanta Branch

JOSEPHINE S. HIPOLITO\*  
Bacoor Branch

EDWIN S. IGHARAS  
Calamba Branch

FREDERICK D. ISIP  
Lucena Branch

ROBERTO S. PAGAYUNAN  
Biñan Branch

JOSE RIZAL S. TARUN  
San Pablo Branch

EVA E. TOMENIO  
Rosario (EPZA) Branch

REYNANTE A. UNTIVEROS\*  
San Pedro Branch

GRACE R. VELASCO  
Santa Rosa Branch

#### LUZON SOUTH 2 DIVISION

ABDULTALIB A. ABIRIN\*  
Puerto Princesa Branch

JESSICA M. AGBAY\*  
Batangas Branch

JOSEPH PEDLEY V. BRITANICO  
Lipa Branch

JULIETA B. COMPUESTO\*  
Lemery Branch

IMELDA G. FAMILARAN  
Calapan Branch

ESMERALDA S. MADRIAGA\*  
San Jose, Occidental Mindoro Branch

CHRISTINE R. RIANO\*  
Odlongan Branch

REMELY M. SAGUID\*  
Boac Branch

#### LUZON BICOL DIVISION

DIVINA T. AVILA  
Virac Branch

ANTONIO A. CASIMIRO\*  
Legazpi Branch

ELIZABETH A. DE GUZMAN  
Goa Branch

ROLANDO G. GOMEZ  
Sorsogon Branch

SUSANA N. MALUBAG\*  
Tabaco Branch

CLARIBEL L. REBUENO  
Naga Branch

ERMINA MARIA P. ROBREDO  
Masbate Branch

VIRGILIO A. SANTIAGO  
Iriga Branch

PRISCO S. SORSONA  
Daet Branch

#### VISAYAS OPERATIONS GROUP

#### VISAYAS CENTRAL 1 DIVISION

SHEILA MARIE V. ABAD\*  
Toledo Branch

ALIETA I. BASUBAS  
Tagbilaran Branch

JANICE L. CABALLES\*  
Talisay Branch

GEMMA C. CABERTE  
Mandaue Branch

ERIC A. CORONADO\*  
Lapu-Lapu Branch

ROCELYN F. DUAY\*  
Danao Branch

WILLIAM P. PENSERGA  
Bogo Branch

BENJAMIN A. POMBO  
Cebu-North Reclamation Area Branch

VERDA S. TORREFRANCA\*  
Cebu Branch

#### VISAYAS CENTRAL 2 DIVISION

GREGORIO S. BAROZA  
Maasin Branch

LILIBETH A. CAJUCOM  
Tacloban Branch

VINA SOCORRO A. MERCADO\*  
Calbayog Branch

AILEEN A. OLARAN  
Catbalogan Branch

PORFERIO A. SALIDAGA JR.  
Ormoc Branch

#### VISAYAS WEST 1 DIVISION

ISAAC P. CIOCON JR.  
Bais Branch

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