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ANNUAL REPORT

**SSS @ 65: Kontribusyong Pinag-ipunan,
Proteksyong Maaasahan**

ABOUT THE COVER

This cover design employs a minimalist approach, featuring the X and Y axes symbolizing the enduring stability and reliability of Social Security System (SSS) contributions. The graph elements convey a sense of strategic planning and progress. The minimalist “look” gives it a clean, corporate, and trusting appeal.

The design encapsulates the essence of SSS’ 65th anniversary theme, illustrating the careful financial planning and steadfast protection provided by SSS over the years, creating a visually appealing and cohesive representation of the theme.

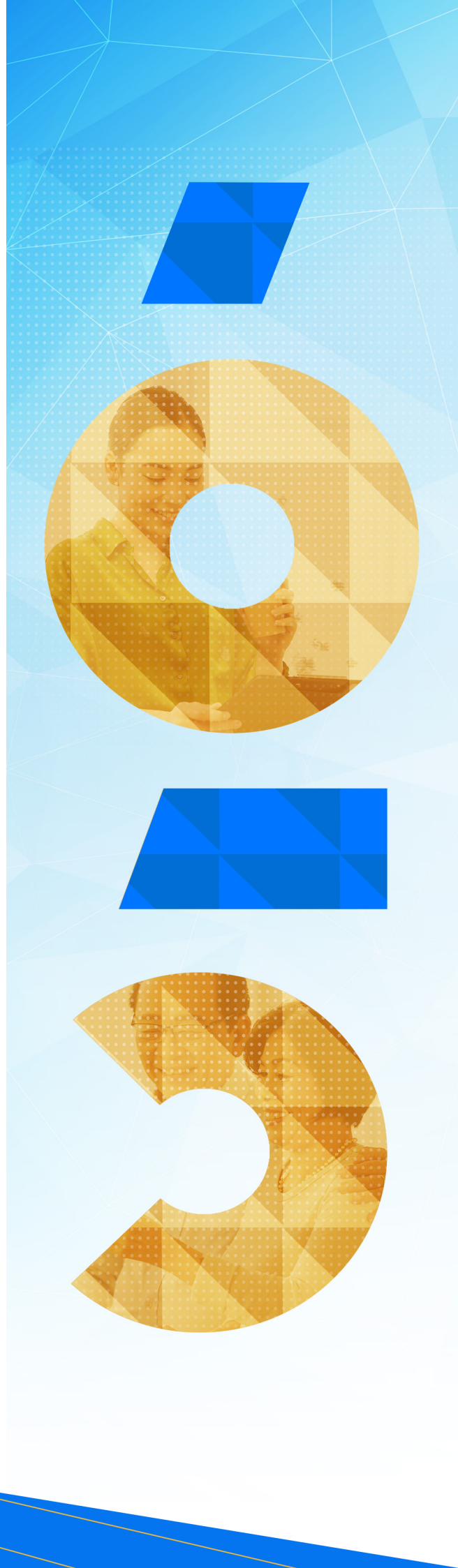


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COMPARATIVE HIGHLIGHTS

(Amounts in Million Pesos)

CONSOLIDATED				
	For the Year		Increase/(Decrease)	
	2022 (Unaudited)	2021 (Restated)	Amount	%
A. REVENUES & EXPENDITURES				
Revenues	306,159.70	262,620.58	43,539.13	16.6
Members' Contribution	261,442.17	226,122.98	35,319.19	15.6
Investment and Other Income	44,717.53	36,497.60	8,219.93	22.5
Expenditures	731,671.66	1,106,534.39	(374,862.73)	(33.9)
Benefit Payments	242,813.87	223,981.99	18,831.89	8.4
Operating Expenses	10,747.99	10,192.90	555.09	5.4
Net changes in policy reserves	478,109.80	872,359.50	(394,249.70)	(45.2)
Net Revenue/(Loss)	(425,511.96)	(843,913.81)	418,401.85	49.6
B. ASSETS & RESERVES				
Assets	773,387.68	702,402.13	70,985.54	10.1
Investments	705,697.27	654,192.59	51,504.68	7.9
Property and Equipment ¹	9,381.86	9,597.38	(215.52)	(2.2)
Others ²	58,308.54	38,612.16	19,696.38	51.0
Liabilities	8,155,646.46	7,656,527.85	499,118.61	6.5
Reserves	(7,382,258.78)	(6,954,125.71)	(428,133.07)	(6.2)
<i>¹ Consist of Property, Plant and Equipment, Intangible Assets, and Right of use Assets</i>				
<i>² Consists of Cash and Cash Equivalent, Receivables and Others</i>				
SOCIAL SECURITY FUND ³				
	For the Year		Increase/(Decrease)	
	2022 (Unaudited)	2021 (Restated)	Amount	%
A. REVENUES & EXPENDITURES				
Revenues	301,100.03	258,534.57	42,565.45	16.5
Members' Contribution	258,902.16	224,003.23	34,898.93	15.6
Investment and Other Income	42,197.86	34,531.34	7,666.53	22.2
Expenditures	726,716.04	1,089,142.32	(362,426.29)	(33.3)
Benefit Payments	240,646.12	221,839.81	18,806.32	8.5
Operating Expenses	10,652.33	10,095.05	557.28	5.5
Net changes in policy reserves	475,417.58	857,207.46	(381,789.88)	(44.5)
Net Revenue/(Loss)	(425,616.01)	(830,607.75)	404,991.74	48.8

B. ASSETS & RESERVES

Assets	725,987.89	657,486.43	68,501.46	10.4
Investments	660,812.88	611,628.62	49,184.25	8.0
Property and Equipment	9,381.86	9,597.38	(215.52)	(2.2)
Others	55,793.15	36,260.43	19,532.72	53.9
Liabilities	8,114,670.29	7,618,238.72	496,431.57	6.5
Reserves	(7,388,682.40)	(6,960,752.29)	(427,930.11)	(6.1)

³ Includes Flexi Fund, PESO Fund, Mortgagors' Insurance Account, Mandatory Provident Fund, and Voluntary Fund

EMPLOYEES COMPENSATION AND STATE INSURANCE FUND

	For the Year		Increase/(Decrease)	
	2022 (Unaudited)	2021 (Restated)	Amount	%
A. REVENUES & EXPENDITURES				
Revenues	5,059.67	4,086.00	973.67	23.8
Members' Contribution	2,540.01	2,119.74	420.26	19.8
Investment and Other Income	2,519.67	1,966.26	553.41	28.1
Expenditures	4,955.62	17,392.07	(12,436.44)	(71.5)
Benefit Payments	2,167.75	2,142.18	25.57	1.2
Operating Expenses	95.66	97.85	(2.19)	(2.2)
Net changes in policy reserves	2,692.22	15,152.04	(12,459.82)	(82.2)
Net Revenue/(Loss)	104.05	(13,306.06)	13,410.11	100.8

B. ASSETS & RESERVES

Assets	47,399.78	44,915.70	2,484.08	5.5
Investments	44,884.40	42,563.97	2,320.43	5.5
Others	2,515.39	2,351.73	163.65	7.0
Liabilities	40,976.17	38,289.13	2,687.04	7.0
Reserves	6,423.61	6,626.57	(202.96)	(3.1)

Figures may not add up to totals due to rounding



MESSAGE FROM THE PHILIPPINE PRESIDENT

MALACAÑAN PALACE MANILA

I convey my wholehearted support to the **Social Security System (SSS)** as you publish your **2022 Annual Report**.

For more than six decades, the SSS has been instrumental in providing a safety net for working Filipinos and their loved ones by assisting them during life's contingencies and financial setbacks. Moreover, it has become a catalyst for robust growth as its investment operations and loan programs help support capital market and infrastructure development.

Your theme for this year's report speaks well of your goal to ensure effectiveness and reliability in delivering your services so that our working citizenry have something to lean on as they build their aspirations.

May you remain selfless and determined in your endeavors as you protect even more Filipinos and contribute to the revitalization of our country through technology. With your help, we can certainly bring the Philippines to a brighter and more secure future for all.

I wish you the best in your endeavors.


FERDINAND R. MARCOS JR.
The President of the Philippines

Manila
July 2023



MESSAGE FROM THE SSC CHAIRPERSON

I congratulate the Social Security System (SSS) on the publication of its 2022 Annual Report, documenting the agency's key achievements for the year in pursuit of universal and equitable social security protection for its members and pensioners.

The theme for 2022, "*SSS@65: Kontribusyong Pinag-ipunan, Proteksyong Maaasahan*," captures the essence behind the institution's existence: providing a reliable safety net for Filipino families in times of need while promoting a culture of financial literacy.

For 65 years, the SSS has grown to become an important pillar in Philippine society and continues to evolve with the demands of the time. The SSS has fully embraced digital transformation, shifting nearly all core processes online through the My.SSS portal in the SSS website and SSS mobile application.

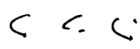

In 2022, the number of electronic transactions reached 50 million, a 15-percent increase from the electronic transactions in 2021. This is an astounding feat for an agency of its size, drawing the attention of various social security organizations worldwide.

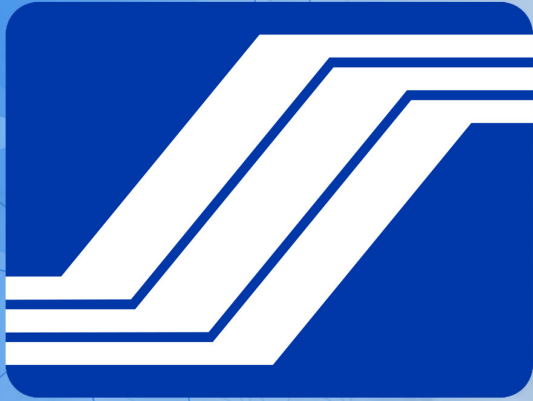
In the same year, the SSS likewise posted a year-on-year increase across its income, member contributions, and benefits payments. More notably, contributions to the Workers' Investment and Savings Program (WISP) reached PHP 20 billion within the first two years of its implementation.

In addition, WISP Plus was successfully launched in 2022 as a voluntary provident fund for individual members who wish to jumpstart their retirement savings through an affordable, safe, and tax-free savings scheme.

I am confident that these achievements will serve as stepping stones for more innovative financial programs and more meaningful social protection from the SSS in the future.

As Chairman of the country's premier pension fund, I am proud to be a part of this milestone moment in SSS history. To the hardworking women and men of the SSS, may we continue to serve our valued members and their beneficiaries with unyielding integrity, zeal, and excellence for years to come.



BENJAMIN E. DIOKNO
Secretary of Finance
July 04, 2023



MESSAGE OF THE SSS PRESIDENT AND CEO

Securing Every Filipino Worker.

These four words have been my personal motto ever since I assumed office as President and Chief Executive Officer at the Social Security System (SSS). Together with the thousands of men and women of this treasured institution, I am ever mindful of our mandate to provide all SSS members and beneficiaries with protection against life's exigencies. Each one of us at SSS begins our daily work with this end in mind.

The year 2022 is a milestone for us as we marked the 65th Anniversary of the SSS. These are six and a half decades of genuine, proficient, and effective public service to the Filipino people. This milestone does not necessarily end with the accolades that we earned but also commemorates the accomplishments that the SSS has made throughout its years of dedicated service. As an institution, the SSS has consistently been a bastion of stability for every Filipino worker in the private sector and has been instrumental to nation building.

The 2022 Annual Report's theme aligns with that of the 65th Anniversary theme: *"SSS@65: Kontribusyong Pinag-ipunan, Proteksyong Maasahan."* Under the backdrop of the most challenging three years in recent history, the SSS has successfully remained strong and relevant to the members who rely on it. Indeed, 2022 was a journey of SSS transformation, resilience, and growth.

Robust Financial Position

From January to December 2022, the SSS' total revenue amounted to P306.16 billion – 16.6 percent higher than the total revenue posted in 2021. Of this total, members' contributions amounted to P261.44 billion or 85.4 percent, while investment and other income was at P44.72 billion or 14.6 percent of total revenues.

Total members' contributions for 2022 indicated a visible path towards pre-pandemic levels as it presented an increase of P35.32 billion or 15.6 percent compared to the P226.12 billion collected in the previous year. The main driver for this increase came from employed members who posted a 17.7 percent increase from P196.43 billion in 2021 to P231.12 billion in 2022. This was followed by voluntary-paying members who generated P17.20 billion in contributions from P16.15 billion in 2021, or a 6.5 percent increase. Meantime, contributions from self-employed members amounted to P4.83 billion in 2022, from the P5.28 billion posted in 2021.

As SSS investment strategies endeavored to maximize investment returns in 2022, substantial gains of P8.22 billion or a 22.5 percent increase than previous year totals in investments and other income was evident. This increase is attributed to the P8.87 billion increase from loans to members and pensioners. Contributing to this uptick were the posting of the reversal of impairment loss from P0.552 billion in 2021 to P4.06 billion, the growth of salary/educational/calamity loan incomes from P5.64 billion to P10.06 billion, and the rise in income from restructured

member loans by P0.20 billion in 2022. Supplementing these were the rise of P2.35 billion and P1.82 billion in real estate income and government notes and bonds income in 2022, respectively. Unfortunately, the lackluster equity market in 2022 resulted in a P4.57 billion contraction in equity income as compared to 2021.

As quarantine restrictions eased and businesses resumed normal operations, the SSS granted P242.81 billion in benefit payments to some 4.7 million members in 2022. This was P18.83 billion or 8.84 percent higher compared to 2021 numbers, which translated to some 300,000 SSS and Employees Compensation members/beneficiaries. In terms of absolute amount, retirement beneficiaries received the majority share, accounting for an increase of P11.58 billion from 2021 figures. Meanwhile, death claim beneficiaries accounted for a 12.4 percent increase, which meant an additional 104,000 claims compared to 2021 numbers.

Good Governance

As an institution that promotes transparency, efficiency, accountability, and compliance with the law, we at the SSS pride ourselves with strict compliance to the limits set in Republic Act No. 11199 (Social Security Law of 2018). The SSS operating expenses (OpEx) represented only 33.8 percent of the allowable P31.82 Billion of the Charter Limit, which was lower than the 36.1 percent in 2021. The OpEx to benefit payments ratio in 2022 was only at 4.4 percent, also lower than the 4.6 percent balance in 2021.

The SSS spent P10.75 Billion in operating expenses, which is 5.4 percent or P0.56 Billion higher than the P10.19 Billion recorded in the previous year. The top contributing factors to the OpEx increase were the retroactive implementation of the Compensation and Position Classification System (CPCS)-approved appeals, the costs associated with intensified collection efforts from employers, and the adverse effects of inflation increase.

Workforce Empowerment

Also in 2022, the SSS Management was keen on establishing major human capital management reforms to ensure better service to our members. The reforms were needed in accordance with the structure under the CPCS, which provides competitive compensation to ensure the hiring and retention of talent while keeping the SSS financially stable.

As a Government Owned and Controlled Corporation (GOCC), the SSS is covered under Executive Order No. 150 s. 2021 *"Approving the CPCS and Index of Occupational Services, Position Titles, and Job Grades for GOCCs (IOS-G) Framework, Repealing Executive Order No. 203 (S.2016), and For Other Purposes"* signed by President Rodrigo R. Duterte last October 2021.

As a strategy that is aligned with provisions set in the *"GOCC Governance Act of 2011"* (Republic Act 10149), the CPCS subjects all GOCCs to a position classification system and pay structures in relation to their financial capacities and sustainability. The implementation of the CPCS in the SSS was hinged on our full compliance with the requirements set by the Governance Commission for GOCCs (GCG).

Through the progressive enhancements to employee welfare, and with the significant gains brought about by the implementation of the CPCS, 90 percent of SSS employees in 2022 were more satisfied in their respective jobs, basic aspects of mental health were all in normal range, and total employee engagement further improved to 91.5 percent compared to 89.8 percent in 2021. These were based on the 2022 SSS Employee Mental Health and Satisfaction Survey, which also showed that SSS employees were more satisfied in terms of the nature of their work, workplace environment, supervision, promotion, and pay, among others. All these factors have led the SSS workforce to being more committed and competent in serving members and their beneficiaries.

All these developments have revitalized the SSS workforce who served more than 42 million members, including 914,000 active employers in 2022. They likewise processed a total of 50.26 million electronic transactions and 10.56 million manual transactions in the same year.

New and Continuing Programs

For 2022, we continued extending financial relief to members and employers to help them recover from the adverse economic effects of the COVID-19 pandemic under the Pandemic Relief and Recovery Programs (PRRP), particularly:

- **PRRP 4** – restructured housing loan and condoned penalties, which resulted in P683.10 million in total collections representing 1,726 accounts; and
- **PRRP 5** – condoned short-term loan penalties, which garnered P3.19 billion in collections representing 209,621 accounts.

We also offered two programs for housing loan condonation and one for member loan condonation, namely: 1) the Housing Loan Penalty Condonation Program, which posted a collection of P106.41 million representing 287 accounts, 2) Penalty Condonation Program for Housing Loans, which is a continuing program as of 2022, and 3)

Consolidated Loan Program with Condonation of Penalty, which as of end-2022, posted a collection of P755.23 million, representing 101,694 accounts.

During our 65th Anniversary month, we launched new innovative programs to cover our informal workers, presented a new means for our members to save for their retirement, and helped our employers and members settle their contribution and loan delinquencies:

1. **New contribution payment schedule for farmers, fishermen, and other self-employed individuals in the informal economy** is a more flexible payment schedule that allows them to pay missed contributions for any of the last twelve (12) months in the current month.
2. **Contribution Subsidy Provider Program (CSPP)** promotes the spirit of “*Bayanihan*” by encouraging individuals and groups to subsidize the monthly contributions of other SSS members.
3. **Contribution Penalty Condonation Programs** aim to help business and household employers who have delinquencies in the SSS contributions of their employees and household helpers.
4. **Workers’ Investment and Savings Program (WISP) Plus** is a voluntary provident fund program that will allow members to boost their retirement savings by contributing a minimum payment of P500 (with no maximum amount) at any time and eventually gain tax-free earnings.

Ongoing Digitalization Initiatives

SSS Website

The following electronic features were implemented in the SSS Website in 2022:

- Submission of initial Pension Loan application, Death Claim and Disability Claim application
- Enhancement of Disbursement Account Enrollment Module (DAEM), Maternity Benefit Reimbursement, Retirement Claim application, and Short-Term Member Loan application
- SS Number issuance for claimants/beneficiaries/guardians who are not yet SSS members
- Re-enabling of Online Updating of Contact Information.

uSSSap Tayo Portal

Fully implemented in 2022, the uSSSap Tayo Portal is a self-service facility on the SSS website that allows members and employers to visit and find answers to their questions and inquiries. With its monitored ticketing system, the Portal is also a way for SSS to effectively manage and improve its resolution rate for complaints, queries, and concerns.

In 2022, the ASEAN Social Security Association recognized the uSSSap Tayo Portal as an “*innovation in customer relation management.*”

SSS Mobile App

As of end-December 2022, the SSS Mobile App was downloaded by 9.14 million users, or 40.6 percent higher than 22.52 million downloads as of December 2021.

In 2022, the My.SSS portal had 15.26 million registered members and 675,986 registered employers. This was an increase of 21.3 percent and 7.6 percent from the 12.58 million members and 628,000 employers, respectively, that were registered as of December 2021.

Awards and Recognition

True to our commitment of providing better service to our dear stakeholders, the Anti-Red Tape Authority (ARTA) in 2022 accorded the SSS a Plaque of Appreciation for the various streamlining measures that the institution implemented to address the surge of transacting members at various branch offices due to the easing of quarantine restrictions in Metro Manila and other areas.

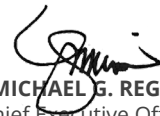
Another noteworthy accomplishment of the SSS for 2022 was its promotion of financial inclusion. Maya Business awarded the SSS the “*Ease of Doing Business Champion*” for making it easier for citizens to pay civic fees through omni-channel payment acceptance.

Final Note

Through the new coverage and collection programs launched in 2022, the SSS continues to address the demographic shift – longer life expectancy and lower fertility rates – that impacts on SSS’ long-term solvency. The efforts to address this concern and others are geared towards having a viable social security scheme for Filipinos both here and abroad, as well as providing its 42 million members meaningful benefits to cope with life’s exigencies.

I would like to express my heartfelt thanks to our former PCEO Aurora C. Ignacio for her steadfast guidance during the first quarter of 2022 that set the tone for the stellar performance of SSS in the remainder of the year. We instituted the needed structural reforms to allow our institution to reach new heights and heeded the call of our members for better, faster, and more accessible services. I am deeply honored to work with the men and women of the SSS in making this journey a success for our beloved institution.

In parting, let us continue to have faith in one another at SSS in order that social protection and social justice will continue to prevail in our beloved country.



MICHAEL G. REGINO
SSS President and Chief Executive Officer

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, 2022 and December 31, 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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




SEC. BENJAMIN E. DIOKNO
Chairperson, Social Security Commission


ROLANDO LEDESMA MACASAET
President and CEO, Social Security System

Date: May 05, 2023

INDEPENDENT AUDITOR'S REPORT

The SOCIAL SECURITY COMMISSION

Social Security System
East Avenue, Diliman, Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Social Security System (SSS), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the SSS as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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 opinion.

Emphasis of Matter

We draw attention to Note 20 to the financial statements in relation to Note 22. In compliance with the policy directive of the National Government requiring government insurance institutions to adopt the PFRS 4 Insurance Contracts in CY 2020, Management recognized Insurance Contract Liability in the SSS' financial statements, which is the sum of the present value of future benefits and expenses, less the present value of future contributions discounted at the appropriate risk-free discount rate. There is a significant increase in liability as the SSS recognized the social benefit liability to its members. Management acknowledges that uncertainty remains over the ability of SSS to meet its funding requirements to pay its members' benefits and operational expenses. However, Management has a reasonable expectation that the SSS has adequate resources to continue in operational existence for the foreseeable future. Furthermore, under Republic Act (RA) No. 11199, otherwise known as the Social Security Act of 2018, the Philippine Government guarantees that all the benefits prescribed in the RA shall not be diminished and it accepts general responsibility for the solvency of the System. Our opinion is not modified in respect of this matter.

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 the SSS' 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 SSS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the SSS' 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 the SSS' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SSS' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 39 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 Management of SSS and have been subjected to auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ANGELITA R. MANGABAT
OIC-Supervising Auditor

May 12, 2023

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021	At January 1, 2021
			As restated	
ASSETS				
Current assets				
Cash and cash equivalents	3	24,231,791,954	22,075,249,008	21,514,274,598
Financial assets	4.1	84,673,420,653	78,429,985,389	65,177,190,895
Receivables, net	5	83,608,825,659	67,661,138,887	81,090,413,914
Inventories	6	67,352,599	69,167,527	85,318,643
Non-current assets held for sale	7	206,947,365	188,660,672	167,063,160
Other current assets	8	6,806,962,807	5,702,265,741	4,684,312,210
		199,595,301,037	174,126,467,224	172,718,573,420
Non-current assets				
Financial assets	4.2	411,681,502,096	382,187,833,823	327,742,312,466
Receivables	5	67,390,092,892	57,069,783,288	59,821,985,631
Investment property	9	85,014,644,111	79,076,648,180	74,621,527,922
Property and equipment, net	10	8,432,259,287	8,740,850,841	6,315,447,464
Intangible assets	11	243,886,853	119,993,813	138,878,299
Right-of-use assets	12	705,714,379	736,532,439	812,536,732
Other non-current assets	13	324,275,277	344,023,935	318,180,461
		573,792,374,895	528,275,666,319	469,770,868,974
TOTAL ASSETS		773,387,675,932	702,402,133,543	642,489,442,394
LIABILITIES AND EQUITY				
Current liabilities				
Financial liabilities	14	3,702,901,825	4,240,405,468	4,475,331,211
Lease payable	15	279,942,316	232,114,952	156,254,268
Inter-agency payables	16	786,563,456	203,764,400	188,515,012
Trust liabilities	17	39,337,822,342	18,346,415,669	2,523,362,964
Deferred credits/Unearned income	18	70,998,359	88,787,679	76,721,000
Other payables	21	554,206,941	757,360,817	882,539,662
		44,732,435,239	23,868,848,985	8,302,724,117
Non-current liabilities				
Financial liabilities	14	-	-	1,422,339
Lease payable	15	514,914,778	592,436,627	727,679,432
Deferred credits/Unearned income	18	275,360,171	302,210,840	329,061,510
Provisions	19	1,383,127,160	2,134,002,987	1,941,881,916
Insurance contract liability	20	8,107,690,623,179	7,629,580,348,453	6,757,220,290,677
Other payables	21	1,050,000,000	50,000,000	50,000,000
		8,110,914,025,288	7,632,658,998,907	6,760,270,335,874
TOTAL LIABILITIES		8,155,646,460,527	7,656,527,847,892	6,768,573,059,991
EQUITY/(DEFICIT)				
Reserve fund	22.1	(7,362,775,569,903)	(6,951,530,692,584)	(6,106,319,978,085)
Cumulative changes in fair value	22.2	(26,055,867,446)	(9,167,674,519)	(23,809,882,311)
Revaluation surplus	22.3	6,572,652,754	6,572,652,754	4,046,242,799
TOTAL EQUITY/(DEFICIT)		(7,382,258,784,595)	(6,954,125,714,349)	(6,126,083,617,597)
TOTAL LIABILITIES AND EQUITY		773,387,675,932	702,402,133,543	642,489,442,394

The Notes on pages 19 to 76 form part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 Restated
INCOME			
Service and business income	23	297,757,374,037	255,314,086,030
Assistance and subsidy	24	336,132,254	0
Gains	25	23,186,855,307	18,876,825,990
Other non-operating income	26	4,667,698,079	2,138,184,794
		325,948,059,677	276,329,096,814
EXPENSES			
Benefit payments	27	242,813,873,615	223,981,986,472
Personnel services	28	8,123,628,096	7,727,034,576
Maintenance and other operating expenses	29	1,921,951,034	1,685,100,957
Financial expenses	30	205,406,872	214,094,554
Non-cash expenses	31	20,285,360,482	14,275,192,866
		273,350,220,099	247,883,409,425
Net Income before changes in policy reserves		52,597,839,578	28,445,687,389
Net Change in Policy Reserves	32	(478,109,798,453)	(872,359,500,057)
Net Loss		(425,511,958,875)	(843,913,812,668)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Gain/(loss) on sale of FA at FVTOCI		35,561,689	(204,050,992)
Changes in fair value of FA at FVTOCI		(16,888,192,927)	14,642,207,792
Revaluation surplus		0	2,526,409,955
		(16,852,631,238)	16,964,566,755
TOTAL COMPREHENSIVE LOSS		(442,364,590,113)	(826,949,245,913)

The Notes on pages 19 to 76 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Reserve Fund (Note 22.1)	Revaluation Surplus (Note 22.2)	Members' Equity	Cumulative Changes in Fair Value (Note 22.3)	TOTAL
BALANCE AT JANUARY 1, 2022	(6,951,530,692,584)	6,572,652,754	0	(9,167,674,519)	(6,954,125,714,349)
Add/(Deduct):					
Comprehensive loss for the year	(425,476,397,186)			(16,888,192,927)	(442,364,590,113)
Other adjustments:					
Premium contribution accrual	15,392,866,549				15,392,866,549
SSS' share in ECC & OSHC corporate operating budget	(348,565,226)				(348,565,226)
Payable to Flexi Fund	(1,880,665)				(1,880,665)
Payable to Peso Fund	(7,633,081)				(7,633,081)
Payable to WISP Fund	(775,935,706)				(775,935,706)
Payable to WISP Plus Fund	(1,335,258)				(1,335,258)
Guaranteed income/ Annual incentive benefit	(25,996,746)				(25,996,746)
BALANCE AT DECEMBER 31, 2022	(7,362,775,569,903)	6,572,652,754	0	(26,055,867,446)	(7,382,258,784,595)
BALANCE AT JANUARY 1, 2021	(6,106,279,980,864)	4,046,242,799	1,281,698,533	(23,809,882,311)	(6,124,761,921,843)
Adjustments:					
Reclassification to liability			(1,281,698,533)		(1,281,698,533)
Payable to Flexi Fund	(14,226,527)				(14,226,527)
Payable to Peso Fund	(25,770,694)				(25,770,694)
RESTATED BALANCE AT JANUARY 1, 2021	(6,106,319,978,085)	4,046,242,799	0	(23,809,882,311)	(6,126,083,617,597)
Comprehensive income/(loss) for the year	(844,077,866,439)	2,526,409,955		14,642,207,792	(826,909,248,692)
SSS' share in ECC & OSHC corporate operating budget	(332,667,772)				(332,667,772)
Guaranteed income/Annual incentive benefit	14,694,844				(14,694,844)
Other adjustments:					
Benefit payment accrual	99,116,050				(99,116,050)
Premium contribution accrual	(291,212,013)				(291,212,013)
MIA valuation of policy reserves	(1,418,613)				(1,418,613)
Payable to Flexi Fund	(25,528,247)				(25,528,247)
Payable to Peso Fund	(33,493,510)				(33,493,510)
Payable to WISP Fund	(334,717,011)				(334,717,011)
RESTATED BALANCE AT DECEMBER 31, 2021	(6,951,530,692,584)	6,572,652,754	0	(9,167,674,519)	(6,954,125,714,349)

The Notes on pages 19 to 76 form part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows		
Member' contributions	260,439,384,074	235,067,360,001
Investment and other income	35,445,775,365	27,101,719,492
Receipt of Flexi, PESO and WISP funds contribution/income	21,807,136,601	15,650,841,847
Trust receipts/mandatory deductions	6,524,076,094	3,837,474,200
Subsidy and donations received	336,132,254	0
Other collections	46,628,766	59,809,065
Total cash inflows	324,599,133,154	281,717,204,605
Cash outflows		
Benefits payments	245,422,731,740	225,451,778,690
Operating expenses	11,334,037,148	9,612,716,641
Flexi and PESO funds withdrawals	143,905,039	83,631,336
Remittance of statutory contributions	3,592,868,089	3,438,734,240
Refund of deposits	254,220,273	498,592,175
Purchase of inventories	40,193,998	24,075,284
Grant of financial assistance/subsidy/contribution	200,000	117,575
Other disbursements	246,214,777	153,579,765
Total cash outflows	261,034,371,064	239,263,225,706
Net cash generated from operating activities	63,564,762,090	42,453,978,899
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows		
Sale, maturities and redemptions of investments	32,601,491,247	33,891,031,524
Collection of loans	47,541,563,485	41,991,030,262
Sale/disposal of investment properties, other properties and equipment	291,401,349	283,517,468
Total cash inflows	80,434,456,081	76,165,579,254
Cash outflows		
Purchase and placement of investments	91,903,164,511	81,654,807,762
Grant of loans	49,537,345,055	35,999,578,591
Purchase of investment properties, other properties and equipment	234,094,751	66,079,033
Purchase of intangible assets	110,236,503	30,463,392
Total cash outflows	141,784,840,820	117,750,928,778
Net cash used in investing activities	(61,350,384,739)	(41,585,349,524)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash outflows		
Release of Corporate Operating Budget to ECC	348,565,227	332,667,770
Total cash outflows	348,565,227	332,667,770
Net cash used in financing activities	(348,565,227)	(332,667,770)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,865,812,124	535,961,605
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	290,730,822	25,012,805
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,075,249,008	21,514,274,598
CASH AND CASH EQUIVALENTS AT END OF YEAR	3 24,231,791,954	22,075,249,008

The Notes on pages 19 to 76 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

(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 that 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 (SS) 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 *"SS 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 *"SS 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 SS 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 investible 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 Sections 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 his operation and that of the employee on the day of his employment, while coverage of self-employed person shall take effect upon his registration with the SSS. Non-working spouses of SSS members 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.

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 based on applicable actuarial studies, rate of benefits, inflation, and other relevant socioeconomic data.

The SSS, in pursuit of its mission under RA No. 11199, otherwise known as the SS Act of 2018, to promote social justice through savings and advance the value of *"work, save, invest and prosper"* and SSC Resolution No. 458-s. 2020 dated September 9, 2022 approved the implementation of the Mandatory Provident Fund (MPF) Program for SSS members effective January 1, 2021. The program, which is known as the Workers' Investment and Savings Program (WISP), consists of contributions of employers and employees, self-employed, OFW and voluntary members, based on monthly salary credit (MSC) in excess of P20,000 up to the prescribed maximum MSC, and their earnings. The program aims to provide SSS members with a convenient and tax-free savings scheme for payment of benefits to such members or their beneficiaries in addition to the benefits provided under RA No. 11199.

Pursuant to SSC Resolution Nos. 209-s. 2022 dated April 6, 2022 and 513-s. 2022 dated August 3, 2022, approving the implementation of the New Voluntary Provident Fund (NVPF) Program for SSS members, which shall be known as the Workers' Investment and Savings Program (WISP) Plus or *"WISP Plus"* which is open to all SSS registrants and SSS members with no final benefit claim, regardless of amount of declared monthly earnings and last posted MSC, respectively, subject further to the applicable policies under the Regular SSS Program. The program aims to encourage SSS members to participate in an affordable, flexible, convenient, and tax-free savings scheme.

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 in September 2001 and June 2011, respectively. Membership to the Flexi-Fund is on a voluntary basis for OFW members with at least P16,000 monthly earnings

either covered under the existing program or new entrant with the 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 with the opportunity to receive additional benefits in their capacity to contribute more. Each member of the PESO Fund shall be allowed a maximum contribution of P500,000 per annum and a minimum of P1,000 per contribution. These two funds shall cease upon implementation of the new provident fund provided under Section 4 of RA No. 11199 but pending for the formal transition rules and guidelines.

The SSS also administers Employees' Compensation and State Insurance Fund as provided in 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 on 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 the 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 policy on 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, 2022, are as follows. All inter-fund accounts have been eliminated.

	SSS*	EC-SIF	Total
Total Assets	725,987,892,863	47,399,783,069	773,387,675,932
Liabilities	8,114,670,288,569	40,976,171,958	8,155,646,460,527
Reserve Fund**/Equity	(7,388,682,395,706)	6,423,611,111	(7,382,258,784,595)
Total Liabilities and Equity	725,987,892,863	47,399,783,069	773,387,675,932

**Includes Insurance Contract Liability (ICL)

	SSS*	EC-SIF	Total
Income	320,155,339,348	5,792,720,329	325,948,059,677
Expenses	270,353,766,755	2,996,453,344	273,350,220,099
Net Income before changes in policy reserves	49,801,572,593	2,796,266,985	52,597,839,578
Changes in Policy Reserves	475,417,580,701	2,692,217,752	478,109,798,453
Net Income/(Loss) after changes in policy reserves	(425,616,008,108)	104,049,233	(425,511,958,875)
Other comprehensive loss for the year	(16,746,378,723)	(106,252,515)	(16,852,631,238)
Total comprehensive income	(442,362,386,831)	(2,203,282)	(442,364,590,113)

*SSS includes Flexi-Fund, PESO Fund, Mortgagors' Insurance Account, WISP and WISP Plus Fund

The principal office of SSS is located at East Avenue, Diliman, Quezon City. It has 166 local branches and 113 service and representative offices located in various cities and municipalities of the country, and 28 foreign branch offices situated in Asia and Pacific, Europe, Middle East and North America.

The financial statements of SSS as at December 31, 2022 were approved by the Social Security Commission under Resolution No. 134-s. 2023 and signed by the SSC Chairperson and PCEO on May 5, 2023, as shown in the Statement of Management Responsibility for Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Preparation of Financial Statements

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

The accompanying financial statements were prepared in accordance with PFRS and Philippine Accounting Standards (PAS) issued by the Philippine Financial and Sustainability Reporting Standards Council (PFSRSC). PFRS are adopted by the PFSRSC from the pronouncements issued by the International Accounting Standard Board and approved by the Philippine Board of Accountancy. As a Commercial Public Sector Entity (CPSE), SSS is required to adopt the PFRS as its applicable financial reporting framework pursuant to COA Circular No. 2015-003 dated April 16, 2015, as amended. Accounts were classified to conform to the Updated Revised Chart of Accounts for Government Corporation prescribed under COA Circular No. 2020-002 dated January 28, 2020.

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 (SCI).

For this purpose, SSS adopts the guidelines laid down under COA Circular No. 2017-004 dated December 13, 2017, on the preparation of financial statements and other financial reports and implementation of PFRS by government corporations classified as CPSE, unless Management believes that a different classification and presentation of the accounts provides information that is reliable and more relevant to users of the financial statements.

SSS also presents a third Statement of Financial Position (SFP) as of the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that have a material effect on the information in the SFP at the beginning of the preceding period. The notes related to the third SFP are not required to be disclosed.

c. *Basis of Measurement*

The financial statements have been prepared on a 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;
- Non-current assets held for sale are measured at the lower 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 to 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. *Accrual Accounting*

In accordance with PAS 1, the financial statements, except for cash flow information, have been prepared using the accrual basis of accounting.

e. *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.

f. *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.

2.2. Adoption of New and Amended PFRS and Interpretations

a. Effective in 2022 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, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets)*. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements PFRS Standards 2018-2020 (effective January 1, 2022)

- PFRS 9 Financial Instrument - Fees in the “10 per cent” test for derecognition of financial liabilities. The amendment clarifies which fees should be included in the “10 per cent” test for the derecognition of a financial liability. An entity includes only fees paid to or received between the entity (the borrower) and the lender, including fees directly attributable to third-party fees.
- PFRS 16, Leases – Lease incentives. Any payments made to or on behalf of a lessee within the context of the lease contract shall be considered as an integral part of the net consideration of the lease and therefore be accounted for as an incentive.
- Amendment to PFRS 16: COVID-19 Related Rent Concessions. The amendment provides relief for leases in accounting for rent concessions granted because of COVID 19. It therefore provides an option to lessees from assessing whether a rent concession related to COVID 19 is a lease modification or just a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.
- Amendments to PFRS 7: Financial Instruments – Disclosures. It requires entities to provide disclosures in the financial statements that will enable users to evaluate the following:
 - The significance of financial instruments for the entity's financial position and performance;
 - The nature and extent of risks arising from financial instruments to which the entity is

exposed during the period and at the end of the reporting period; and

- How the entity manages those risks.

b. Effective in 2022 that are not relevant to the System

- Amendments to PFRS 3 – Business Combinations update a reference in PFRS 3 to the Conceptual Framework of Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to PFRS 3, *Reference to the Conceptual Framework*. The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

Annual Improvements PFRS Standards 2018-2020 (effective January 1, 2022)

- PFRS 1, First-time Adoption of PFRS – Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16 (a) of PFRS 1 to measure cumulative transition differences using the amounts reported by its parent, based on the parent's date of transition to PFRS.

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

- Amendments to PAS 1, Presentation of Financial Statements, on classification of liabilities – These narrow-scope amendments to PAS 1, Presentation of financial statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what PAS 1 means when it refers to the settlement of a liability.
- 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. PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by (a) a specific adaptation for contracts with direct participation features (the variable fee approach) and (b) a simplified approach (the premium allocation approach) mainly for short-duration contracts. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. The main features of the new accounting model for insurance contracts are as follows:

- » The measurement of the present value of future cash flows, incorporating an explicit adjustment, remeasured every reporting period (fulfillment cash flows).
 - » A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfillment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in the profit or loss based on insurance contract services provided over the coverage period.
 - » Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining coverage period.
 - » The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy of choice.
 - » The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
 - » Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (non-distinct investment components) are not presented in the income statement but are recognized directly on the balance sheet.
 - » Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
 - » A loss-recovery component of the asset for the remaining coverage of a group of reinsurance contracts held is determined and recorded in profit or loss when an entity recognizes a recovery of profit or loss on initial recognition of an onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses.
 - » Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held.
 - » Extensive disclosure to provide information on the recognized amounts from insurance contracts and the nature and extent of risk arising from these contracts.
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-Current*. The amendments aim to promote consistency in applying requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
 - Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*. The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.
 - Amendments to PAS 8, *Definition of Accounting Estimates*. The amendments replace the definition of change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimates that result from new information or new developments is not the correction of error.
 - Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
- d. 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.
- 2.2.1. Current versus Non-Current Classification**
- The SSS presents assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
 - Held primarily for the purpose of trading;
 - Expected to be realized within 12 months after the reporting period; or
 - Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.
- All other assets are non-current.
- A liability is current when:
- Expected to be settled in the normal operating cycle;
 - It is held primarily for the purpose of trading;
 - Due to be settled within 12 months after the reporting period;
 - There is no unconditional right to defer the settlement of the liability for 12 months after the reporting period.
- All other liabilities are non-current.

Net deferred tax assets (liabilities) are classified as non-current.

2.3. Financial instruments

a. Financial Assets

a.1 Date of recognition

The SSS initially recognizes loans and receivables and deposits on the date 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.

a.2 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.

a.3 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.

a.4 Classification and subsequent measurement

The SSS subsequently measures its financial assets as 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 the contractual cash flows, selling the financial assets, or both.

- **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.

- **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 specific dates to cash flows that are solely payments of principals and interest (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.

- **Financial assets at FVTOCI**

Financial assets are measured at FVTOCI if both of the following conditions are met: (1) the asset is held within the business model, the objective of which is achieved both by collecting contractual cash flows and selling financial assets; and (2) the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Subsequent to initial recognition, FVTOCI financial assets are carried at fair value in the statement of financial position. Changes in the fair value of such assets are recognized in other comprehensive income and presented within reserves in the unrealized gain or loss on FVTOCI financial assets portion.

Upon derecognition, cumulative gains or losses for debt financial assets are transferred to profit or loss while cumulative gains or losses for equity financial instruments remain part of the statement of comprehensive income. Dividends are recognized in profit or loss when the right to receive payments is established.

a.5 Impairment of financial assets

The SSC in its Resolution No. 41-s. 2021 approved the policy/guidelines in recognizing and measuring credit impairment. The SSS adopts the Expected Credit Loss (ECL) in accordance with the provisions of PFRS 9 Financial Instruments – Impairment.

The ECL Model is applied on credit exposures covered by PFRS 9, which include the following:

1. Loans and receivables that are measured at amortized cost;
2. Investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income; and
3. Credit commitments and financial guarantee contracts that are not measured at fair value through profit or loss.

SSS adopts the rebuttable presumption in PFRS 9 that a default does not occur later than when a financial asset is 90 days past due.

Credit exposures are classified into three different stages at each reporting date, based on the significance of the increase in credit risk since initial recognition, as follows:

- Stage 1 – Performing – credit exposure that fall under this category are those that are not yet amortizing, current and whose credit risk has not appreciated significantly from initial recognition, i.e., credit exposures with days-past-due (DPD) not more than 30 days.
- Stage 2 – Under-performing – credit exposures classified under this category are those whose credit risk increased significantly since initial recognition, i.e., past due credit exposures with DPD greater than 30 days but less than or equal to 90 days.
- Stage 3 – Non-performing – credit exposures that have clear evidence of impairment at the reporting date, i.e., past due credit exposures with DPD greater than 90 days.

In assessing significant increases in credit risk, the risk of a default occurring on the credit exposure at the reporting date is compared to the risk of a default occurring on the credit exposure at the date of initial recognition.

As soon as the loan is granted to the member-borrower, it is classified under Stage 1. For all credit exposure already in the books, the following rules shall apply:

- Exposures with significantly increased credit risk since initial recognition shall be classified under Stage 2.
- Non-performing exposures shall be classified under Stage 3.

Transfer from Stage 1 to Stage 2 is made under the following conditions:

- Exposures with missed payment for more than thirty (30) days
- Exposures with risk ratings downgraded by at least two grades for rating agencies with below 15 rating grades and three grades for rating agencies with more than 15 rating grades

Transfer from Stage 3 to Stage 1 is made under the following conditions:

- There is sufficient evidence to support full collection.
- Full collection is probable when payments of principal and interest due are received for at least six months.
- Non-performing restructured exposures that have exhibited improvement in credit worthiness of the counterparty after a total one-year probation period, i.e.,
 - 6 months in Stage 3 before transferring to Stage 2, and another 6 months in Stage 2 before transferring to Stage 1; or
 - Directly from Stage 3 to Stage 1 without passing through Stage 2 after 12 months.

Restructured exposures classified as “performing” prior to restructuring shall be initially classified under Stage 2. The transfer from Stage 2 to Stage 1 shall follow the 6-month rule as mentioned in item “b” above.

The ECLs are revalued every year.

a.6 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.

b. Financial liabilities

Financial liabilities are initially measured at fair value, and when applicable, adjusted for transaction costs unless the designated as financial liability at FVTPL.

SSS's financial liabilities include accounts payable, accrued operating payable, accrued benefit payable, claims pay-out payable, interest payable, and lease liabilities which are subsequently measured at amortized cost.

Financial Liabilities are derecognized in the statement of financial position only when the obligation is extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.4. Cash and cash equivalents

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

2.5. Inventories

Supplies and materials inventories are valued at the 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.

Inventories include semi-expendable property, or those tangible items with cost below the capitalization threshold for property and equipment (see Note 2.8). These items are recognized as expense in full upon issuance to end users but are recorded in the Report on the Physical Count of Inventories for monitoring purposes.

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 of 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 following the guidelines in the Classification, Reclassification and Recording of SSS Real Estate Properties under Office Order No. 2021-012. The guidelines shall govern the general procedures on the classification, reclassification and recording of real estate properties of the SSS with the following objectives:

- a. Provide comprehensive guidelines on the process of classification/reclassification of real estate properties;
- b. Establish the fundamental guidelines and practices for proper accounting and reporting of the reclassification of NCAHFS accounts and valuation of real estate properties in the SSS Financial Statements; and
- c. Define duties and responsibilities of various units involved in the classification of real estate properties.

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 loans, individual real estate loan, commercial and industrial loan which were foreclosed or acquired through *Dacion en Pago*, cancelled or relinquished by former owners in favor of SSS due to non-payment.

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

The fair values of investment properties are determined annually at the reporting date by an independent professionally qualified valuer and internal appraiser using the Market Data Approach, Cost Approach, and Income Approach. The market value is estimated using gathered available local market conditions considering 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. For the value of the land with improvements, the appraisers

used the Cost Approach taking into account the current cost of reproduction, if new, of the replaceable property in accordance with the prevailing market prices for materials, labor, contractor's overhead, and profit and fees. In arriving at 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 the Income Approach, the value of the property is determined using the interest rates and yields and 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 (Bureau of Internal Revenue) Zonal Valuation are used which are considered as Level 3 valuation.

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

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 reserves under property valuation reserve unless it represents the reversal of a revaluation decrease of the same asset previously recognized as an expense, in which case it is recognized as income. On the other hand, a decrease arising as a result of a revaluation is recognized as an expense to the extent that it exceeds any amount previously credited to property valuation reserve relating to the same asset.

Valuations are done by an external independent appraiser every three years or as the need arises. The value of land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable properties registered within the vicinity. This approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator with the subject. This is done by adjusting the differences between the value of the subject property and those actual sales and listings regarded as comparable. Comparisons were premised on the factors of location, land use, physical characteristics of the land, time element, quality, and prospective use. On improvement and building, the Cost Approach was adopted in arriving at the market value of the building. This approach considers the cost to reproduce or replace in new conditions 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 the relevant assets are completed and put into operational use.

The initial cost of property and equipment consists 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 P50,000 based on COA Circular No. 2022-004 while items whose amounts are below the capitalization threshold are accounted as semi-expendable properties (see Note 2.5).

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 of 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 SCI in the period of retirement or disposal.

Expenditures incurred after the item has been put into operation, such as repairs and maintenance, are normally recognized as expenses in the period such cost is 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 life of each part of an item of property and equipment.

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

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

Property and equipment except land and construction in progress have residual value equivalent to five per cent of the acquisition cost for assets recorded in 2022. The property and equipment acquired in prior years are presented at ten per cent residual value.

Leasehold improvements are amortized over the shorter of the terms of the covering leases or the estimated useful life of the improvements.

Fully depreciated assets are retained in the accounts until they are no longer in use.

SSS-owned artworks are classified as (a) *First class artworks*- are art collections or individual pieces, including

various paintings, statues and sculptures probably (but not solely) acquired in artistic auctions and held primarily as a store of wealth and usually have some cultural or historical value. The primary goal of acquiring these artworks are for investment purposes, (b) *Office artworks*- represent pieces that are held primarily for decorating the office or workplace, (c) *Inseparable artworks*- are painting made on walls and cannot be separated from the property to which it was made, and (d) *Ordinary artwork*- are pieces (e.g. posters) with relatively small acquisition cost, used solely for administrative purposes, with no or very small residual value, often subject to wear and tear. All SSS-owned artworks are measured at cost except for First class artworks which are measured at fair value and apply the asset capitalization threshold.

2.9. Right-of-use assets

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.

The ROU assets are amortized over the term of the lease and are depreciated on a straight-line basis over the term of the lease contract. Whenever the lease contract ended/ terminated or when the branch transfers or relocates to another property, the ROU and corresponding lease liability are derecognized from SSS books of accounts.

2.10. Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. They comprise software and licenses. 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 life, 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. Intangible assets-software are derecognized upon disposal of the computer equipment where the software is attached while licenses are derecognized upon expiration of license agreement with complete documentations.

2.11. Impairment of non-financial assets

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

Impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss unless it relates to a

revalued asset where the value changes are recognized in other comprehensive income/loss and presented within reserves in the property valuation reserve portion. Depreciation and amortization charges for future periods are 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.

2.12. 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.

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

a. Members' contribution

Revenue is recognized from member contributions when it falls due or when earned, not necessarily when collected or when cash is received with the following criteria: (a) collectability is reasonably assured (e.g., the employer can be reliably expected to pay the contribution); (b) sufficient documentation exists; and (c) the contribution due is determinable.

The SSC under its Resolution No. 161-s. 2021 dated April 08, 2021, approved the Accounting Policy on Accrual of Revenues from Member Contributions and Expenses for Member Benefits. The accrual of member contributions procedural guidelines includes the following:

1. Employers shall be assessed for collectability.
 - a. In the initial phase (Phase 1), accrual shall be applied to large accounts employers starting CY 2020. Phase 2 covering all active employers was implemented in CY 2022.
 - b. The employer must be paying for at least three years and with continuous payment for the last six months which shall be recomputed by semester.
 - c. Accrual shall stop if the employer has no payment for three consecutive months prior to applicable month.
2. Contribution collections from active regular employers who pass the collectability assessment shall be accrued using as basis the electronic Collection System (e-CS) which automates the generation of Payment Reference Number (PRN).
3. Analysis of the accrual report:
 - a. The generated PRN shall be recorded as receivable, and revenue based on the applicable month.
 - b. If the employer paid, the accrual entries will be cleared or will be adjusted accordingly if with error.

- c. Provision for impairment shall be recorded in accordance with existing ECL policy.

Contributions from other employers that are not yet included in the accrual process, self-employed and voluntary members' contribution shall be recorded on a cash basis.

Contributions from Flexi-Fund, PESO Fund, WISP and WISP Plus Fund members are reported as part of trust liabilities.

b. Interest and penalty income

Revenue is recognized as the interest and penalty accrues, taking into account the effective yield on the asset and computed based on the following approved policy:

- Accrual of interest and penalties earned on loans shall only be allowed if the loans and other credit accommodations are current and performing.
- Loans are current and performing if any principal and/or interest are paid for at least 90 days from the contractual due date.
- No accrual of interest and penalty is allowed if a loan has become non-performing. Interest and penalty on non-performing loans shall be taken up as income only when actual payments are received.
- 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 from contractual due dates or accrued interest for more than 90 days have been capitalized, refinanced, or delayed by agreement.

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.

2.13. Expense recognition

Expenses are recognized in the statement of comprehensive income upon utilization of the service or at the date they are incurred for operational and benefit expenses.

The accrual of benefit expense is recognized when the transaction occurs or when the expenses are incurred, not necessarily when they are paid or disbursed with the following criteria being met: (a) there is an obligating event that creates a legal or constructive obligation that results in an entity having no realistic alternative to

settling that obligation; and (b) the amount of expense is determinable or can be reliably estimated in the case of accrued expense.

The procedural guidelines for the accrual of benefit expenses include the following:

1. Phase 1 - Retirement benefits and Phase 2 – Disability benefits, both for pensions only, were implemented in 2021 and prior years' accruals
 - a. Benefit filed and encoded in the Benefit System but not yet settled (i.e., in-process claims) or incurred benefits but not yet paid (IBNP);
 - b. Benefits entitlements but not yet filed (i.e., compulsory retirement), or incurred benefits but not yet reported (IBNR); and
 - c. Adjustments of the portion of initial pension benefits (i.e., advance 18 months) paid but applicable after the financial statement reporting period.
2. For 2022, Phase 3 was implemented to include Sickness and Maternity, Unemployment, Retirement, Disability, Death, and Funeral Benefits following the guidelines set in Office Order No. 2023-006:
 - a. The unfiled compulsory retirement benefit, in lump sum or monthly pension, shall be computed from date of contingency to December 31 of the reporting year until the member reaches age 80.
 - b. The basis for accrual of approved benefit claims for payment shall be the amount of unpaid LOI as December 31 of the reporting year.

Further, the Actuarial Services Division (ASD) provided the factors that were applied for each age (65-80) for the computation of the benefit accruals for the compulsory retirement benefit. Such factors were based on the actual retirement and membership data by age from 2018 to September 2022, with 10% added conservatism.

2.14. Leases

a. SSS as lessee

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 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 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 twelve 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 BVAL rate used in 2022 is based on the term specified in the contract.

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

- The use of applicable BVAL rate to a portfolio of leases depending on the term on the lease of contract;
- 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, 2022 as short-term leases on a 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 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.

2.15. 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 SSS and its related parties, regardless of whether a price is charged.

2.16. Provisions and contingencies

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.

A provision is recognized when, as a result of a past event, the SSS has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle that obligation. However, it requires the approval of the SSC and the setup of a budget for the actual expenditure required to settle the obligation.

In CY 2020, SSS adopted PFRS 4 and recognized contingent liability for the present value of future benefits and expenses, less the present value of future contributions discounted at the appropriate risk-free discount. The change in accounting treatment from PAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* is in compliance with the government’s directive of treating government insurance institutions as self-sustaining insurance institutions.

2.17. Prepayments

Prepayments are the usual advances to suppliers and creditors including the cash deposit to the Procurement Service of the Department of Budget and Management (DBM). The advances to suppliers and creditors are expensed monthly. Also included is the benefit expense for the first 18 monthly retirement pension to members who opted to avail themselves of the advance retirement benefits.

2.18. Income taxes

Based on Section 16, RA No. 11199, as amended, 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 import duty. Thus, SSS is exempt from paying income taxes to the government.

2.19. Transactions in foreign currencies

Transactions in foreign currencies are initially recorded in Peso at the spot exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the prevailing functional currency rate at the reporting date. Exchange rate

differences arising from the restatement or settlement of monetary items are recognized in profit or loss in the year in which they arise.

2.20. Events after the reporting date

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.

3. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2022	2021
Cash on hand	1,214,600,920	796,322,123
Cash in bank	7,455,888,556	4,666,857,995
Cash equivalents	15,561,302,478	16,612,068,890
	24,231,791,954	22,075,249,008

Cash in banks earns interest at the respective bank deposit rates. Time and special savings deposits (TD/SSD) 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 5.7 per cent for time and special savings deposits which are dependent on the tenor with overnight (one day) placement at the minimum. Savings and current accounts interest rates are non-earning to 0.40 per cent per annum.

In consideration of the banks’ making their deposit pick up facility available to the SSS, the latter agreed to maintain an average daily balance of P1 million and P10 million with DBP and LBP/UBP, respectively, in a non-drawing interest bearing current account/savings account (CASA) with each of the banks’ servicing branches. As at December 31, 2022, the amount of P385 million is being maintained in said banks for such purpose.

Interest income earned from cash in banks and term deposits amounted to P652.735 million and P420.258 million as at December 31, 2022 and 2021, respectively (see Note 23).

4. FINANCIAL ASSETS

This account is composed of the following:

4.1 Current Financial Assets

	2022	2021
Financial assets – at FVTPL		
Government securities	30,994,202,297	32,736,514,630
Equity securities	35,433,492,544	27,241,636,732
Externally managed fund	1,117,757,413	4,551,501,502
Investment in mutual fund	3,802,772,213	3,149,466,800
Corporate bonds	62,803,169	254,985,154
	71,411,027,636	67,934,104,818

Financial assets – at amortized cost		
Investment in bonds – local		
Government bonds	9,245,716,827	5,113,223,347
Debenture bonds	200,000,000	400,000,000
Corporate bonds	3,318,450,000	2,665,790,000
Corporate notes	0	2,324,638,628
Government notes	510,000,000	0
	13,274,166,827	10,503,651,975
Allowance for impairment loss	(11,773,810)	(7,771,404)
	13,262,393,017	10,495,880,571
	84,673,420,653	78,429,985,389

The fair value of financial assets through profit or loss is 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 engagement of seven local fund managers (LFM) was approved by SSC under its Resolution No. 1035-A dated December 12, 2018 to manage portion of SSS Investment Reserve Fund with total original deployed investment of P9 billion under the following mandates: pure equity fund mandate; pure fixed income mandate and balanced fund mandate. As at December 31, 2022, the managed fund is reduced to P1.117 billion due to redemption of investment from four local fund managers.

Investment in mutual fund 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-s. 2018 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, 2022 and 2021, the value of invested funds amounted to P3.803 billion and P3.149 billion, respectively.

The costs of the financial assets at FVTPL are as follows:

	2022	2021
Government securities	31,649,768,463	32,358,009,181
Equity securities	38,091,296,320	24,430,834,603
Externally managed fund	1,000,000,000	4,180,000,000
Investment in mutual fund	4,017,340,588	3,113,255,421
Corporate bonds	66,025,862	254,584,966
	74,824,431,233	64,336,684,171

4.2. Non-Current Financial Assets

	2022	2021
Financial assets at amortized cost		
Investment in bonds – local		
Government bonds	249,905,373,430	215,349,242,889
Debenture bonds	2,613,170,775	2,813,170,775
Corporate bonds	28,870,708,686	19,084,974,765
Corporate notes	2,653,220,000	1,680,000,000
Government notes	0	510,000,000
	284,042,472,891	239,437,388,429
Allowance for impairment	(115,403,202)	(32,312,253)
	283,927,069,689	239,405,076,176
Financial assets at FVTOCI		
Equity securities	94,809,448,861	100,630,984,665
Government bonds	32,453,718,850	41,643,707,946
Corporate notes	1	1
Corporate bonds	498,840,920	508,065,035
Allowance for impairment – corporate bonds	127,762,008,632	142,782,757,647
	(7,576,225)	0
	127,754,432,407	142,782,757,647
	411,681,502,096	382,187,833,823

The fair value of the FVTOCI financial asset is 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, 2022 and 2021 is P153.818 billion and P151.948 billion, respectively.

Notes and bonds earn interest at 1.50 to 18.25 per cent depending on the amount and terms of the investment. Interest income earned from investments in notes and bonds – local as at December 31, 2022 and restated 2021 is P14.061 billion and P11.543 billion, respectively (see Note 23).

Movements in Financial Assets (FA) are as follows:

	Government Securities	Equity Securities	Corporate Bonds	Investment in Mutual Fund	Externally Managed Fund	Total
FA at FVTPL, January 1, 2022	32,736,514,630	27,241,636,732	254,985,154	3,149,466,800	4,551,501,502	67,934,104,818
Purchases	4,390,130,943	13,721,040,047	86,263,727	867,873,787	0	19,065,308,504
Fair Value Gain	650,279,814	11,997,972,008	4,164,133	637,047,576	25,152,248	13,314,615,779
Fair Value Loss	(1,693,923,435)	(14,403,367,083)	(7,510,866)	(851,615,950)	(103,640,429)	(17,060,057,763)
Sales/ Disposal	(5,088,799,655)	(3,123,789,160)	(275,098,979)	0	(3,355,255,908)	(11,842,943,702)
FA at FVTPL, December 31, 2022	30,994,202,297	35,433,492,544	62,803,169	3,802,772,213	1,117,757,413	71,411,027,636
	Government Securities	Equity Securities	Corporate Bonds	Investment in Mutual Fund	Externally Managed Fund	Total
FA at FVTPL, January 1, 2021	24,131,015,975	14,018,329,535	0	3,075,426,202	9,716,702,606	50,941,474,318
Purchases	10,663,840,479	15,766,919,189	254,584,966	37,829,219	0	26,723,173,853
Fair Value Gain	705,258,454	8,570,304,417	4,134,765	615,517,930	481,967,619	10,377,183,185
Fair Value Loss	(1,314,086,797)	(5,463,085,263)	(3,734,577)	(579,306,551)	(602,249,566)	(7,962,462,754)
Sales/ Disposal	(1,449,513,481)	(5,650,831,146)	0	0	(5,044,919,157)	(12,145,263,784)
FA at FVTPL, December 31, 2021	32,736,514,630	27,241,636,732	254,985,154	3,149,466,800	4,551,501,502	67,934,104,818

	Government Securities	Securities	Corporate Notes/ Bonds	Total
FA at FVOTCI, January 1, 2022	41,643,707,946	100,630,984,665	508,065,036	142,782,757,647
Accumulated Impairment Loss	0	0	0	0
Net Book Value, January 1, 2022	41,643,707,946	100,630,984,665	508,065,036	142,782,757,647
Purchases	0	6,544,065,056	0	6,544,065,056
Cumulative Change	(4,496,501,430)	(12,322,307,983)	(9,224,115)	(16,828,033,528)
Sales/Disposal	(4,693,487,666)	(43,292,877)	0	(4,736,780,543)
Impairment (Loss) Recovery	0	0	(7,576,225)	(7,576,225)
FA at FVTOCI, December 31, 2022	32,453,718,850	94,809,448,861	491,264,696	127,754,432,407

	Government Securities	Equities	Corporate Notes/ Bonds	Total
FA at FVTOCI, January 1, 2021	49,373,547,174	84,511,644,717	523,852,556	134,409,044,447
Accumulated Impairment Loss	0	0	0	0
Net Book Value, January 1, 2021	49,373,547,174	84,511,644,717	523,852,556	134,409,044,447
Purchases	0	41,939,319	0	41,939,319
Cumulative Change	(3,981,213,738)	18,650,139,395	(15,787,520)	14,653,138,137
Sales/ Disposal	(3,748,625,490)	(2,572,738,766)	0	(6,321,364,256)
FA at FVTOCI, December 31, 2021	41,643,707,946	100,630,984,665	508,065,036	142,782,757,647

	Government Securities	Corporate Notes/Bonds	Total
FA at AC, January 1, 2022	224,185,637,011	25,755,403,393	249,941,040,404
Accumulated Impairment Loss	0	(40,083,657)	(40,083,657)
Net Book Value, January 1, 2022	224,185,637,011	25,715,319,736	249,900,956,747
Purchases	49,602,702,859	15,257,845,154	64,860,548,013
Amortization	(442,291,156)	(299,861)	(442,591,017)
FOREX Gain	79,500,000	0	79,500,000
FOREX Loss	(27,500,000)	0	(27,500,000)
Sales	(10,923,787,682)	(6,170,570,000)	(17,094,357,682)
Impairment (Loss) Recovery	(14,065,854)	(73,027,501)	(87,093,355)
FA at AC, December 31, 2022	262,460,195,178	34,729,267,528	297,189,462,706

	Government Securities	Corporate Notes/Bonds	Total
FA at AC, January 1, 2021	172,990,489,131	31,475,657,354	204,466,146,485
Accumulated Impairment Loss	0	(110,332,663)	(110,332,663)
Net Book Value, January 1, 2021	172,990,489,131	31,365,324,691	204,355,813,822
Purchases	56,501,332,090	5,582,242,706	62,083,574,796
Amortization	(542,984,210)	2,223,333	(540,760,877)
FOREX Gain	7,000,000	0	7,000,000
FOREX Loss	(2,500,000)	0	(2,500,000)
Sales	(4,767,700,000)	(11,304,720,000)	(16,072,420,000)
Impairment (Loss) Recovery	0	70,249,006	70,249,006
FA at AC, December 31, 2021	224,185,637,011	25,715,319,736	249,900,956,747

5. RECEIVABLES

This account is composed of the following:

	2022	2021
Current		
Loans and receivable	85,259,304,632	70,941,148,563
Lease receivable	184,570,424	290,208,363
Other receivables	1,111,550,128	1,656,587,010
	86,555,425,184	72,887,943,936
Allowance for impairment	(2,946,599,525)	(5,226,805,049)
	83,608,825,659	67,661,138,887
Non-Current		
Loans and receivable	86,053,402,787	77,751,189,984
Lease receivable	15,440,522	15,779,981
Other receivables	1,757,787,160	1,197,736,311
	87,826,630,469	78,964,706,276
Allowance for impairment	(20,436,537,577)	(21,894,922,988)
	67,390,092,892	57,069,783,288

Loans and receivable account is composed of receivables from short-term member loans, and housing loans due within twelve months. It also includes contribution and premium receivable, interest, dividend, and sales contract receivables. The account receivable collecting bank/agent is now presented under the Loans and receivable account from previous classification under Other receivables per COA Circular No. 2021-005. These are measured at amortized cost with provision of impairment loss pursuant to PFRS 9 and the policy guidelines on the recognition of ECL.

Loans receivable includes receivable from Waterfront Philippines, Inc. (WPI) amounting to P375,000,000 based on Supreme Court Notice dated 21 September 2022 which resolves to deny reconsideration with finality on G.R. No. 248337 dated 06 July 2021.

The composition of the current and non-current portion of Loans receivable is as follows:

	2022	2021
Current		
Loans receivable	60,873,459,903	63,280,761,778
Interest receivable	5,734,687,460	4,603,851,918
Contribution and premium receivable	17,712,941,215	1,959,701,040
Receivable-CBs/CAs	885,112,776	820,740,439
Dividend receivable	52,658,513	275,625,079
Sales contract receivable	444,765	468,309
	85,259,304,632	70,941,148,563
Non-Current		
Loans receivable	62,434,732,026	54,046,445,031
Interest receivable	12,593,356,283	12,593,356,283
Sales contract receivable	1,265,629,021	1,211,762,935
Loan to other government corporation	9,426,787,178	9,566,230,283
Receivable collecting banks/agents	332,898,279	333,395,452
	86,053,402,787	77,751,189,984

a. Loans receivable is recognized at amortized cost and composed of the following:

	2022	2021
Member loans	116,638,419,769	112,294,712,372
Housing loans	1,020,216,277	1,412,321,606
Pension loans	5,562,827,380	3,533,444,328
Commercial and industrial loans	69,509,283	69,509,283
Program member assistance for development entrepreneurship (MADE)	17,219,220	17,219,220
	123,308,191,929	117,327,206,809
Allowance for impairment	(6,142,023,609)	(10,304,030,997)
	117,166,168,320	107,023,175,812

Member loans are receivables from salary, emergency, calamity and separated member loan, educational assistance loan program, student assistance loan, stock investment loan, privatization loan fund, loan to vocational/technical students, special education loan fund and restructured member loans granted to SSS' members.

The Loan Restructuring Program (LRP), which ended on April 1, 2019, has covered the member-borrowers affected by previous calamities/disasters with past due calamity loans and other short-term member loans. The total principal and accrued interest of all past due short-term loans of the member-borrower were consolidated into one Restructured Loan (RL1). Penalties were condoned after full payment of outstanding principal and interest of RL1 within the approved term. However, if the balance of RL1 is not zeroed at the end of the term, the unpaid principal of RL1 and the proportionate balance of condonable penalty become part of a new principal under Restructured Loan 2 (RL2). The balance of the restructured member loan as at December 31, 2022 amounted to P12.601 billion with accumulated impairment provision of P610.853 million.

The Educational Assistance Loan Program, which is part of the Member loans, amounted to P5.385 billion consisting of the 50:50 SSS and NG (National Government) shares, has been expended/extended as loans to member beneficiaries as at December 31, 2022. 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, 2022 and 2021 are P10.354 million and P43.325 million, respectively.

Housing Loans are real estate loan (REL) and employee housing loans program (EHLP). Real estate loans included five different products: Regular, Pari-passu, Participating Financial Institution (PFI), Overseas Filipino Worker (OFW), and Trade Union Member (TUM). The regular loan is a housing loan program for covered employers and employees, separated paying members and self-employed members directly granted by SSS in 1959. Pari-passu is a joint housing loan program of the SSS and the SSS' accredited participating financial institutions (PFIs) which enables a member to acquire housing unit costing

more than P1 million. There are two (2) funders for the loan, SSS and PFI who will share pro-rata depending on their loan exposure. Loan to PFI is an SSS loan to accredited financial institutions like commercial banks, investment houses and financing companies. The real estate loan for OFWs is designed to support the Government's Shelter Program, which aims to provide socialized and low-cost housing to overseas Filipino contract workers. TUM is designed to provide socialized and low-cost housing to workers who are bonafide members of duly registered and accredited worker's organizations. EHLP is a housing loan program offered to all SSS officials and employees, which started in 1991.

Pension Loans are loans of SSS pensioners under the Pension Loan Program (PLP), which was launched on September 3, 2018 to provide financial aid to qualified SSS retiree pensioners by way of providing low-interest loans. 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 cent per annum until fully paid computed on a diminishing principal balance, which shall become part of the monthly amortization. Loan releases for CY 2022 reached 127,918 amounting to P5.95 billion and interest income recognized is P385.588 million.

Commercial and industrial loans are loan programs through conduit arrangement with the accredited participating financial institutions (PFIs)/banks and covered by the Omnibus Credit Line (OCL). The SSS made available the funds of the program to the PFIs, which will on-lend the fund to eligible borrowers/end-users. The programs are being implemented in accordance with the guidelines, and terms and conditions in the PFIs OCL.

Program MADE are loans released/restructured between CYs 1991 to 1994 to cooperatives, which was approved under SSC Resolution No. 502 on September 7, 1989

to encourage the promotion of livelihood enterprises through community-based organizations to create and sustain local employment opportunities.

b. *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. This includes receivable from WPI amounted to P828,941,972 based on 12 per cent legal interest from October 28, 1999 to June 30, 2013, and 6 per cent legal interest from July 1, 2013 to December 31, 2022.

As at December 31, 2022 and 2021, the accrued interests are as follows:

	2022	2021
Government notes and bonds	4,296,888,727	3,899,114,076
Member loans	255,621,985	363,515,098
Corporate notes and bonds	274,118,019	173,428,395
Debenture bonds	40,625,430	103,089,229
Receivable from Private and Gov't Agencies	830,446,028	43,295,000
Cash equivalent and Short-term Money Placement	23,590,222	7,759,974
Sales contract receivable	8,437,264	7,641,210
Housing loans	4,959,785	6,008,936
	5,734,687,460	4,603,851,918
Allowance for impairment	(397,039,963)	(34,031,405)
	5,337,647,497	4,569,820,513

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

	Interest Rate (Per Annum)
Loans receivable	
Member loans	3.0 to 10.0
Housing loans	3.0 to 14.0
Pension loans	10.0
Commercial and industrial loans (CIL)	2.5 to 16.0
Loan to other govt. corporation – NHMFC	4.0
Sales contract receivable	6.0 to 14.0

Non-current interest receivable includes those originated from Home Guaranty Corporation (HGC) guaranteed corporate notes and loan to National Home Mortgage Finance Corporation (NHMFC) amounting to P12.575 million and P12.575 million for CYs 2022 and 2021, respectively.

The SSC approved SSS' participation and invested in various HGC (now Philippine Guarantee Corporation or PGC) guaranteed Asset Participation Certificates (APC) from CY 1995 to CY 2000. However, the Asset Pools failed to service the regular interest due to the APCs. In view of this, the SSS decided to call on the guaranty of HGC from November 2000 to July 2001. HGC was unable to pay in full guaranteed obligations and partially settled it through the issuance of debenture bonds and transfer of 19 lots through Dacion en Pago. From CY 2005 to CY 2013, correspondence and meetings were sent and

conducted, respectively, between and among SSS, HGC and the Department of Finance (DOF). Upon approval of the SSC under Resolution No. 899 dated November 27, 2013, SSS formally filed with Office of the Government Corporate Counsel (OGCC) the Petition for Arbitration and Adjudication versus HGC (Arbitration Case No. 2013-004). The amount subject of arbitration was P5.24 billion covering principal, HGC-guaranteed interest, and compound interest. Thereafter, negotiations continued between PGC and SSS until an agreement has been reached with SSS condoning 4.972 per cent of the guaranteed interest resulting in a settlement value of P4.813 billion. The Memorandum of Agreement (MOA) was executed on August 26, 2021 to settle all disputes and to put an end to the arbitration case. Upon approval of the MOA by the Department of Justice (DOJ) on December 23, 2021, PGC shall pay SSS with the following terms and conditions:

Cash Payment:	
<ul style="list-style-type: none"> Upon approval of the Department of Justice/Secretary of Justice (DOJ/SOJ) of the MOA with fixed interest rate of 2.01% p.a. from October 31, 2020 to actual payment date 	1,100,000,000.00
Deferred Cash Payment	
<ul style="list-style-type: none"> Year 2 to 4 (P100 million per year) 	300,000,000.00
<ul style="list-style-type: none"> Year 5 With fixed interest rate of 3.0% p.a., payable semi-annually, to be computed based on actual number of days effective October 31, 2020 	200,000,000.00
PGC Debenture Bond – Backed by Sovereign Guaranty	
<ul style="list-style-type: none"> Year 1 to 4 redemption (P200 million per year) 	800,000,000.00
<ul style="list-style-type: none"> Year 5 (Balloon payment of balance) With fixed interest rate of 3.0% p.a., payable semi-annually, to be computed based on actual number of days effective October 31, 2020 	2,413,170,775.22
Settlement value as of October 31, 2020	4,813,170,775.22

As at December 31, 2022, the total outstanding obligation of PGC is P3.155 billion, broken down as follows:

Particulars	Deferred cash payment	PGC Debenture bonds	Total
Principal	300,000,000	2,813,170,775	3,113,170,775
Interest	1,504,110	40,625,430	42,129,540
	301,504,110	2,853,796,205	3,155,300,315

- c. *Contribution and premium receivable* represents accrued receivables due for the next month which is the next calendar year following the policy approved by the SSC (see Note 2.12a). However, for 2021, accruals were not effected due to non-separability of the MPF from the SSS Contribution which requires IT enhancements. Due to the volume of transactions, computation can only be done electronically.
- d. *Receivables – CB/CA account* represents premium contributions and loan payments collected by accredited banks and agents but not yet remitted to SSS. This account is debited upon receipt of collection/remittance data/reports that are electronically transmitted by the CBs/CAs, which are uploaded by the SSS Data Center Operations Department from different CBs/CAs servers and credited for the total remittances appearing in the bank statements. The balances of the account were presented net of negative balances totaling P335.212 million and P434.796 million as at December 31, 2022 and 2021, respectively, which are mostly prior years' transactions due to un-submitted valid collection/remittance data/reports.
- e. *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.
- f. *Sales contract receivables* are contracts arising from deed of conditional sale executed by the SSS with properties under NCAHFS to various buyers of the said properties.
- g. *Loans to other government corporation* refers to loans to 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, the 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 CY 1988 to CY 1995 amounted to P30.075 billion with total housing loan borrowers/beneficiaries of 135,229. In CY 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, Mod & High Del) – 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, 2022, the total outstanding obligation of NHMFC is P22.005 billion, broken down as follows:

Principal	9,426,787,178
Interest	11,964,198,418
Penalty	614,104,940
	22,005,090,536

The DOF in its letter dated October 19, 2020 informed SSS that the P10 billion shall be considered in the CYs 2022 to 2024 budget allocation for the Net Lending Program to NHMFC in view of the tight fiscal space of the National Government (NG) for CY 2020 and CY 2021.

Lease receivable consists of operating lease receivables from contract of lease executed with the lessees. It represents accrual of rental income from tenants of SSS which are collectible within a year. Rent/lease income is derived from investment properties, ROPA and operating assets, and recognized a total income of P1.244 billion and P1.205 billion as at December 31, 2022 and 2021, respectively (see Note 33).

	2022	2021
Current		
Operating lease receivable	184,570,424	290,208,363
Allowance for impairment	(75,374,379)	(159,464,944)
	109,196,045	130,743,419
	2022	2021
Non-Current		
Operating lease receivable	15,440,522	15,779,981
Allowance for impairment	(15,440,519)	(15,779,978)
	3	3
<i>Other receivables</i> consist of the following:		
	2022	2021
Current		
Penalty receivable	528,345,037	265,472,682
Receivables – disallowances charges	25,724,993	28,117,072
Insurance claims receivable	1,055,339	1,001,940
Due from officers and employees	9,632,732	623,001
Other receivables	546,792,027	1,361,372,315
	1,111,550,128	1,656,587,010
Allowance for impairment	(197,612,687)	(27,103,843)
	913,937,441	1,629,483,167
Non-Current		
Due from officers and employees	101,323,574	141,725,318
Others	1,656,463,586	1,056,010,993
	1,757,787,160	1,197,736,311
Allowance for impairment	(304,813,147)	(460,638,855)
	1,452,974,013	737,097,456

<i>Penalty receivable</i> is broken down as follows:		
	2022	2021
Penalty Receivable		
Member loans	527,638,629	264,753,864
Housing loans	14,219	32,722
Rental receivable	656,813	430,348
Sales contract receivable	35,376	255,748
	528,345,037	265,472,682
Allowance for impairment	(27,526,535)	(27,103,843)
	500,818,502	238,368,839

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

Insurance claims receivables pertain to the amounts due from insurance companies for the unpaid pension loan and housing loan balances due to death of pensioner-borrower and member-borrower, respectively.

Due from officers and employees are the amount of claims receivable from SSS officers and employees for PIB refund, car loan, hospitalization and other receivables from officers and employees.

Other receivables consist of accounts such as:

Current		
	2022	2021
Sale of financial assets	38,267,256	42,942,733
Supplier's creditable tax	18,180,083	14,210,973
Mutual fund management fee rebate	3,483,515	3,379,731
Private and Government agencies	475,000,000	1,300,000,000
Others	11,861,173	838,878
	546,792,027	1,361,372,315
Allowance for impairment	(170,086,152)	0
	376,705,875	1,361,372,315
Non-current		
	2022	2021
Receivable from PESO Fund	50,000,000	50,000,000
Receivable from WISP Plus Fund	1,000,000,000	0
Private and Government agencies	606,463,586	1,006,010,993
	1,656,463,586	1,056,010,993
Allowance for impairment	(294,125,782)	(449,571,490)
	1,362,337,804	606,439,503

Other Receivables arising from sale of financial assets pertain to equity securities which have been sold but remain unpaid as of reporting period.

The account *Receivable-Supplier's creditable tax* is debited to recognize the amount of creditable withholding taxes (i.e. expanded withholding tax (EWT) and value-added-tax (VAT) on year-end accrued expenses not yet deducted from the payment to supplier but remittance to BIR in the following month will be advanced by SSS. This account is credited upon payment to supplier.

Rebate on management fees from mutual fund companies represent refunds not yet converted into additional shares as of the reporting period.

Private and government agencies is composed of the receivable from Philippine Guaranty Corporation (PGC) as settlement of Home Guaranty Corporation (HGC) delinquent *accounts*. It also includes the receivable from Waterfront Philippines Inc. (WPI) based on Supreme Court Decision dated September 21, 2022, wherein, the court orders mutual restitution between SSS and WPI.

Others include receivable from e-wallet deposit and receivable from GSIS for the amount paid on insurance coverage of some investment properties subjected to double insurance both to GSIS and a private insurance company.

Receivable from PESO Fund is the amount of seed capital provided to the PESO Fund program for its initial operations.

Receivable from WISP Plus Fund is the amount of seed capital provided to the WISP Plus Fund for its initial operations.

Allowance for impairment on expected credit losses for current and non-current receivables are measured depending on the credit exposures and credit risks. Loan accounts that are current or only up to 30 days past due are classified in Stage 1. Those that are more than 30 days but less than 90 days past due are classified at Stage 2, while those that are already past due for more than 90 days are classified at Stage 3

Current		
	2022	2021
Loans receivable	2,276,572,496	4,909,472,652
Contributions and premiums receivable	0	96,732,205
Interest receivable	397,039,963	34,031,405
Operating lease receivable	75,374,379	159,464,944
Other receivables	197,612,687	27,103,843
	2,946,599,525	5,226,805,049
Non-current		
	2022	2021
Loans receivable	3,865,451,113	5,394,558,345
Interest receivable	12,593,356,282	12,593,356,282
Loans receivable–other government corporation	3,112,885,894	3,187,284,803
Sales contract receivable	418,435,945	116,226,107
Receivable – collecting bank/agent	126,154,677	127,078,618
Operating lease receivable	15,440,519	15,779,978
Other receivables	304,813,147	460,638,855
	20,436,537,577	21,894,922,988

Movements in Allowance for Impairment Loss of current and non-current receivables for CY 2022 are as follows:

	Restated Balance, January 1	Additional Provision	Recovery/ Reversal	Balance, December 31
Loans and receivable	26,458,740,417	665,218,396	(4,334,062,443)	22,789,896,370
Lease receivable	175,244,922	0	(84,430,024)	90,814,898
Other receivable	487,742,698	170,508,844	(155,825,708)	502,425,834
	27,121,728,037	835,727,240	(4,574,318,175)	23,383,137,102

The impairment provisions as at December 31, 2022 and 2021 amounted to P835.727 million and P2.219 billion, respectively, and are recognized in the books using the guidelines in recognizing and measuring credit impairment set forth in *Note 2.3a.5* based on the approval of the SSC in its Resolution No. 41-s. 2021.

The Pandemic Relief and Restructuring Program can be availed by member-borrowers with past due loans for at least six months as of the day of condonation period for housing loans and short-term member loans. The availment period for the condonation program is up to three months commencing from November 2021 to February 2022.

6. INVENTORIES

This account is composed of the following:

	2022	2021
Office supplies inventory	73,027,691	73,376,923
Accountable forms inventory	3,347,368	4,317,239
Drugs and medicines	28,111	949,348
Medical, dental and laboratory supplies inventory	1,621,948	1,196,536
	78,025,118	79,840,046
Allowance for impairment	(10,672,519)	(10,672,519)
	67,352,599	69,167,527

Supplies and materials issued and recognized as expense during CYs 2022 and 2021 amounted to P186.364 million and P54.746 million, respectively (see Note 29).

The amount of allowance is the same for CYs 2022 and 2021, details as follows:

	2022	2021
Office supplies inventory	9,871,378	9,871,378
Accountable forms inventory	801,141	801,141
	10,672,519	10,672,519

7. NON-CURRENT ASSETS HELD FOR SALE

This account is composed of the following:

	Amounts
Carrying amount, January 1, 2022	192,660,236
Accumulated impairment loss	(3,999,564)
Net carrying amount, January 1, 2022	188,660,672
Transfer	94,652,736
Cancellation/adjustments	11,216,611
Disposals	(87,785,875)
Impairment, net (loss)/recovery	203,221
Net carrying amount, December 31, 2022	206,947,365

	Amounts
Carrying amount, January 1, 2021	173,586,058
Accumulated impairment loss	(6,522,898)
Net carrying amount, January 1, 2021	167,063,160
Transfer	31,074,670
Cancellation/adjustments	39,364,297
Disposals	(48,446,925)
Impairment, net (loss)/recovery	(394,530)
Net carrying amount, December 31, 2021	188,660,672

The non-current asset held for sale is measured at the lower of carrying amount and of 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, 2022, the impairment loss of P3.250 million and recoveries/reversals of impairment of P3.453 million are recognized in profit or loss.

Had there been no impairment, the carrying amount of the NCAHFS as at December 31, 2022 and 2021 are as follows:

	2022	2021
Acquired assets/Registered	209,074,641	192,660,236
	209,074,641	192,660,236

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 which are held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. As at December 31, 2022, SSS has sold 168 properties through cash and installment bases generating gain on sale of P118.284 million, which forms part of the P917.681 million gains generated for CY 2022 (see Note 25).

NCAHFS/ROPA can be leased out momentarily while waiting for its sale to maximize its potential income. As at December 31, 2022, 66 ROPA Acquired Asset properties with a total book value of P55 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, 2022 and 2021 amounted to P19.357 million and P13.648 million, respectively.

NCAHFS properties that are unsold for more than one year with carrying book value of P38.604 million were reclassified to Investment Property based on the Guidelines on the Classification, Reclassification and Recording of SSS Real Estate Properties approved by the SSC on June 10, 2020 under Resolution No. 292-s. 2020 and P133.257 million book value of IP registered accounts were consolidated and transferred to NCAHFS. There are no transfers or sale of NCAHFS to government and non-profit organizations. All properties were sold to private individuals (see Note 9).

8. OTHER CURRENT ASSETS

This account is composed of the following prepayments:

	2022	2021
Prepayments		
Prepaid benefit expense	6,792,657,925	5,641,305,656
Advances to contractors/suppliers	12,000,000	3,000,000
Prepaid rent	469,588	6,029,722
Prepaid insurance	751,454	93,142
Other prepayments	1,083,840	51,837,221
	6,806,962,807	5,702,265,741

Prepaid benefit expense refers to the first 18 monthly retirement pension in lump sum paid to SSS members who opted to avail themselves of the advance retirement benefits. This was approved per SSC Resolution No. 161-s. 2021 (see Note 2.13) and retrospectively applied in the prior year.

Advances to contractors/suppliers represents the P3.0 million cash deposit to Procurement Service (PS)-Philippine Government Electronic Procurement System (PhilGEPS) intended for the Government Fares Agreement (GFA) and P9.0 million fund deposit to E-Wallet of Virtual Store. This is an initiative of the DBM and the PS-PhilGEPS that will ensure fast, efficient, flexible and savings in time, energy and money when processing the air transportation needs of all government officers and personnel of their domestic trips.

Other prepayments include advance payment for 2023 real estate tax and creditable withholding tax at source from rental or other services deducted by an entity designated by BIR as authorized agent.

9. INVESTMENT PROPERTY

This account is composed of the following prepayments:

	Land	Building	Development Cost	Total
Fair value, January 1, 2022	70,415,119,094	8,651,843,248	9,685,838	79,076,648,180
Transfer	(94,652,736)	0	0	(94,652,736)
Additions	79,185,102	33,950,147	0	113,135,249
Disposal	(1,358,785,010)	(49,275,312)	0	(1,408,060,322)
Fair value gain (loss)	6,606,921,357	720,652,383	0	7,327,573,740
Fair value, December 31, 2022	75,647,787,807	9,357,170,466	9,685,838	85,014,644,111

	Land	Building	Development Cost	Total
Fair value, January 1, 2021	66,222,015,091	8,389,826,993	9,685,838	74,621,527,922
Transfer	(31,074,670)	0	0	(31,074,670)
Additions	52,088,008	0	0	52,088,008
Disposal	(91,429,465)	0	0	(91,429,465)
Fair value gain (loss)	4,263,520,130	262,016,255	0	4,525,536,385
Fair value, December 31, 2021	70,415,119,094	8,651,843,248	9,685,838	79,076,648,180

The costs of investment properties (IP) as at December 31, 2022 and 2021 are P13.223 billion and P13.445 billion, respectively. The decrease in the cost of IP in 2022 was due to the transfer of IP registered accounts with book value of P133.257 million to NCAHFS, wherein the Transfer Certificates of Title (TCT) were already transferred in the name of SSS, while NCAHFS amounting to P38.604 million which remained unsold for more than one year were transferred to IP (see Note 7) and sale of Bella Villa and Pryce Center Makati and the derecognition of the Green Meadows property based on Supreme Court notice dated September 21, 2022, which resolves to deny reconsideration with finality on GR No. 249337 dated July 6, 2021.

Included in the IP account are 11 Raja Santa properties in General Tinio, Nueva Ecija that were offered to the Department of Agrarian Reform (DAR) under the Voluntary Offer to Sell (VOS) scheme of the Comprehensive Agrarian Reform Program (CARP) per SSC Resolution No. 281-s. 2006 dated 19 July 2006. As per records of the Municipal Assessor and the Municipal Agrarian Reform Program Officer of General Tinio, Nueva Ecija, of the 11 lots, eight (8) were already awarded to the beneficiaries. The remaining three (3) lots which are still in the name of the SSS and the ROPA Acquired Assets Division (ROPAAAD) are in the process of requesting from the Register of Deed for the Province of Nueva Ecija the copies of the Certified True Copy (CTC) of the title for the preparation of the request for payment of the land transfer claim of the SSS. Meanwhile, there is a Just Compensation Case still pending in the Regional Trial Court of Cabanatuan to determine the amount paid to the SSS.

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 knowledgeable about 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.

The SSS Policy in the Classification, Reclassification and Recording of Real Estate Properties identifies the following guidelines when properties are transferred to investment property:

- NCAHFS remained unsold for more than one year
- PPEs which are no longer used for operational purposes
- Mortgage properties that have been registered in the name of SSS

On the other hand, investment property is transferred to NCAHFS or PPE:

- Upon consolidation of the registered property (Transfer Certificate of Title (TCT) in the name of SSS) ready for sale
- Upon approval from approving authority to utilize the property for SSS operational use.

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

	2022	2021
Net gain on fair value adjustment	7,342,783,779	4,527,743,785
Rental income	1,216,727,488	1,183,610,613
Penalty on rentals	5,170,883	4,148,619
Gain/loss on sale/disposal	33,066,286	18,619,683
Investment expenses	(46,475,930)	(34,734,246)
Impairment loss – rental and penalty receivable	(185,191)	(12,989,350)
	8,551,087,315	5,686,399,104

The rentals or sale proceeds on the investment properties are subject to the restriction provided under Sections 25 and 26 of RA No. 11199 which states that three (3) 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, 2022, there were 112 investment properties sold which generated a net gain of P33.066 million.

The impairment loss – rental and penalty receivable decreased from P12.989 million in 2021 to P185,191 in 2022 primarily due to the reclassification of Rental NCAHFS to Rental IP in 2020. Provision for impairment of the reclassified asset was already provided in 2020, thus minimal impairment loss is recorded since 2021.

Part of the direct operating expenses incurred were for the investment properties as at December 31, 2022 and 2021 amounting to P40.792 million and P25.843 million, respectively.

10. PROPERTY AND EQUIPMENT – NET

This account is composed of the following:

	Land	Land Improvement	Buildings and building/ leasehold improvements	Furniture and equipment, transportation equipment, computer hardware and others	Construction in progress	TOTAL
Cost						
January 1, 2022	7,069,778,600	20,714,232	1,458,809,056	3,747,562,504	60,370,681	12,357,235,073
Additions	0	0	0	250,953,388	0	250,953,388
Transfers	0	0	3,014,955	0	(49,066,523)	(46,051,568)
Net revaluation increase	0	0	0	0	0	0
Retirement/cancellations/ disposal/adjustments	0	0	(5,429,678)	(1,001,458,609)	0	(1,006,888,287)
Balance, December 31, 2022	7,069,778,600	20,714,232	1,456,394,333	2,997,057,283	11,304,158	11,555,248,606
Accumulated depreciation						
January 1, 2022	0	13,953,592	914,093,184	2,598,590,987	0	3,526,637,763
Depreciation Expense	0	760,886	33,590,634	267,524,117	0	301,875,637
Transfers	0	0	(8,479,233)	0	0	(8,479,233)
Retirement/cancellations/ disposal/adjustments	0	0	(3,289,624)	(783,136,758)	0	(786,426,382)
Balance, December 31, 2022	0	14,714,478	935,914,961	2,082,978,346	0	3,033,607,785
Accumulated impairment loss						
January 1, 2022	0	345,844	89,400,625	0	0	89,746,469
Impairment loss/(recovery)	0	0	(364,935)	0	0	(364,935)
Accumulated impairment loss December 31, 2022	0	345,844	89,035,690	0	0	89,381,534
Carrying amount, December 31, 2022	7,069,778,600	5,653,910	431,443,682	914,078,937	11,304,158	8,432,259,287

	Land	Land Improvement	Buildings and building/ leasehold improvements	Furniture and equipment, transportation equipment, computer hardware and others	Construction in progress	TOTAL
Cost						
January 1, 2021	4,543,368,645	19,340,319	1,474,744,980	3,715,142,715	61,744,594	9,814,341,253
Additions	0	0	0	247,978,175	0	247,978,175
Transfers	0	1,373,913	0	0	(1,373,913)	0
Net revaluation increase	2,526,409,955	0	0	0	0	2,526,409,955
Retirement/cancellations/ disposal/adjustments	0	0	(15,935,924)	(215,558,386)	0	(231,494,310)
Balance, December 31, 2021	7,069,778,600	20,714,232	1,458,809,056	3,747,562,504	60,370,681	12,357,235,073
Accumulated depreciation						
January 1, 2021	0	12,745,085	897,745,495	2,478,332,040	0	3,388,822,620
Depreciation Expense	0	1,208,507	31,275,165	317,570,713	0	350,054,385
Retirement/cancellations/ disposal/adjustments	0	0	(14,927,476)	(197,311,766)	0	(212,239,242)
Balance, December 31, 2021	0	13,953,592	914,093,184	2,598,590,987	0	3,526,637,763
Accumulated impairment loss						
January 1, 2021	0	1,137,050	108,934,119	0	0	110,071,169
Impairment loss/(recovery)	0	(791,206)	(19,533,494)	0	0	(20,324,700)
Accumulated impairment loss December 31, 2021	0	345,844	89,400,625	0	0	89,746,469
Carrying amount, December 31, 2021	7,069,778,600	6,414,796	455,315,247	1,148,971,517	60,370,681	8,740,850,841

Among the Property and Equipment, only land is subject to revaluation. Revaluation was performed by an independent appraiser as of December 31, 2021. 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, 2022 and 2021 is P6.573 billion and is not subject to any appropriations as at end of the reporting period.

If land were stated on the historical cost basis, its carrying amount as at December 31, 2022 and 2021 is P534.062 million.

Rental income from a portion of five property and equipment under a cancellable lease agreement as at December 31, 2022 and December 31, 2021 which amounted to P7.990 million and P7.776 million, respectively, were included in the Statement of Comprehensive Income. The portion under lease cannot be sold separately and is insignificant, thus, remains as Property and Equipment.

As at December 31, 2022 and 2021, the total carrying amount of fully depreciated property and equipment that are still in use are P74.728 million and P96.605 million, respectively.

Included in the property and equipment account are ten (10) artwork items with original cost of P1.370 million with current fair market value of P10.410 million as at December 31, 2022. SSS artwork items are classified as office artwork and recorded at cost based on SSS Office Order No. 2020-004.

11. INTANGIBLE ASSETS – NET

This account is composed of the following:

	2022	2021
Cost		
Balance, January 1	795,608,277	774,589,060
Additions	158,096,602	21,433,293
Retirement/disposals/cancellation	(5,715,784)	(414,076)
Balance, December 31	947,989,095	795,608,277

Accumulated amortization		
Balance, January 1	625,718,464	585,814,761
Amortization charge for the period	34,203,563	40,317,779
Retirement/disposals/cancellation	(5,715,785)	(414,076)
Balance, December 31	654,206,242	625,718,464
Accumulated impairment loss		
Balance, January 1	49,896,000	49,896,000
Retirement/disposals/cancellation	0	0
Balance, December 31	49,896,000	49,896,000
Net book value, December 31	243,886,853	119,993,813

Intangible assets with definite and indefinite life include both computer software and licenses. The carrying amount of intangible assets with indefinite life as at December 31, 2022 and 2021 is P60.699 million. All intangibles with definite life are amortized either over a period of five years or with 20 per cent annual amortization rate. As at December 31, 2022 and 2021, the total cost amount of fully depreciated/amortized intangible assets that are still in use are P602.389 million and P608.105 million, respectively.

12. RIGHT-OF-USE ASSETS

This account is composed of the following:

	2022	2021
Cost		
Balance, January 1	1,383,881,514	1,274,408,489
Additions	273,362,969	194,445,097
Transfers	0	0
Retirement/cancellations/disposal/adjustments	(175,470,811)	(84,972,072)
Balance, December 31	1,481,773,672	1,383,881,514
Accumulated depreciation		
Balance, January 1	647,349,075	461,871,757
Depreciation Expense	273,221,753	264,612,273
Retirement/cancellations/disposal/adjustments	(144,511,535)	(79,134,955)
Balance, December 31	776,059,293	647,349,075
Carrying amount, December 31	705,714,379	736,532,439

The SSS recognizes the ROU Assets for the right to use the underlying leased asset. ROU assets are depreciated each year on a straight-line basis over the term of the lease (see Note 15).

13. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	2022	2021
Deposits	99,649,492	99,462,696
Other assets	295,860,093	316,437,295
	395,509,585	415,899,971
Allowance for impairment – other assets	(71,234,308)	(71,876,036)
	324,275,277	344,023,935

Deposits account is recognized for the amount of deposits for telephone lines, water connection services, meter deposits, and office rental deposits.

Other assets account consists of fire insurance premium (FIP), mortgage redemption insurance (MRI) advanced by SSS for properties mortgaged to the SSS, advances for foreclosure proceedings and property taxes. The decrease in the allowance for impairment is due to full payment of housing loan accounts.

14. FINANCIAL LIABILITIES

This account is composed of the following:

	2022	2021
Accounts payable	1,158,861,922	1,307,017,190
Accrued operating expenses	2,043,011,860	2,479,334,937
Accrued benefit payable	425,603,474	450,844,145
Claims pay-out payable	2,918,577	3,209,196
Interest Payable	72,505,992	0
	3,702,901,825	4,240,405,468

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

Accrued benefit payable represents the SSS obligation to members for retirement pension benefit claims which is recognized using accrual basis of accounting. This includes the accrual of benefit expenses for sickness, maternity, unemployment, retirement, disability, death and funeral benefits based on SSC Resolution No. 161-s. 2021 dated April 8, 2021.

Claims pay-out payable pertains to unpaid insurance claims of policyholders composed of Premium Liability, Fire/ earthquake claims incurred but not yet paid and incurred but not yet reported.

Interest payable pertains to SSS' obligation to Waterfront Philippines, Inc. (WPI), representing the amount of interest expense that has accrued to date but has not been paid as of the date of financial statements.

15. LEASE PAYABLE

This account represents the lease liability for the right to use the underlying lease asset up to the end of the lease contract in accordance with PFRS 16, details follow:

	2022	2021
Beginning Balance, January 1	824,551,579	883,933,700
Setup/Additions	273,362,969	194,445,097
Lease payments	(265,188,962)	(242,863,342)
Retirement/Cancellation/Adjustments	(37,868,492)	(10,963,876)
Ending balance, December 31	794,857,094	824,551,579
Current lease liabilities	279,942,316	232,114,952
Non-current lease liabilities	514,914,778	592,436,627

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

ROU Assets	2022	2021
Beginning balance, 1 January	736,532,439	812,536,732
Set-up/Additions	273,362,969	194,445,097
Retirement/Cancellation/Adjustments	(27,705,849)	(5,837,117)
Depreciation	(276,475,180)	(264,612,273)
Net carrying amount, December 31	705,714,379	736,532,439

SSS as a lessee maintains 157 lease contracts with variable terms ranging from more than one year to 10 years that are recognized as assets and liability, while four contracts with terms of less than one year are recognized as an operating expense.

16. INTER-AGENCY PAYABLES

This account is composed of the following:

ROU Assets	2022	2021
Due to BIR	425,208,841	83,442,363
Due to GSIS	306,950,797	98,370,770
Due to PhilHealth	45,152,527	8,949,775
Due to Pag-IBIG	9,249,106	9,139,913
Due to SSS	2,185	3,861,510
Due to LGU	0	69
	786,563,456	203,764,400

This account includes withholding taxes, contributions to GSIS, Philippine Health Insurance Corporation (PHIC), HDMF and loan amortization due to SSS which were deducted from the payroll of SSS employees. The increase was due to the implementation of the Compensation and Position Classification System (CPCS).

Due to BIR includes among others, Value-added Tax (VAT) payable, other taxes withheld for remittance and over remittance in CY 2022 that were included/deducted in January 2023 remittance. The VAT exemption of SSS was repealed by Section 86 of RA No. 10963, also known as the Tax Reform for Acceleration and Inclusion (TRAIN) effective January 1, 2018.

17. TRUST LIABILITIES

This account is composed of the following:

	2022	2021 (Restated)	
		December 31	January 01
Trust liabilities	590,242,620	596,949,682	712,530,850
Guaranty/security deposits payable	220,176,900	243,238,506	242,842,670
Customers' deposits payable	287,140,087	248,885,124	246,293,690
Payable to Flexi Fund	1,317,871,835	1,271,312,289	1,178,918,426
Payable to Peso Fund	186,830,890	166,315,282	142,777,328
Payable to WISP Fund	36,734,224,752	15,819,714,786	0
Payable to WISP Plus Fund	1,335,258	0	0
	39,337,822,342	18,346,415,669	2,523,362,964

Trust liabilities consist of the following:

	2022	2021
Funds held in trust		
Officials and employees	510,391,324	538,050,990
Borrowers and other payors	13,395,433	39,373,849
Suppliers and creditors	4,906,174	2,550,433
SSS provident fund and medical insurance	46,506,964	3,877,332
Flexi-fund	14,392,958	11,793,332
Dividends – stock investment loan program	649,767	649,767
Small business wage subsidy (SBWS) related	0	566,897
Educational loan fund – DECS	0	87,082
	590,242,620	596,949,682

Funds held in trust (FHT) from officials and employees include amounts deducted from employees' payroll other than mandatory deductions such as provident fund contributions, loan amortization repayments, association dues, etc. and are remitted the following month to private entities. It also 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, 2022 and 2021, amounted to P448.076 million and P507.830 million, respectively. This is done to ensure

collection once the pending appeal in court or with the Commission on Audit (COA) will result in an unfavorable decision and the 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. The total amount of P27.135 million have been returned to retired/separated employees from NCR branches in view of the final decision of the Supreme Court En Banc under G.R. No. 243278 promulgated on November 03, 2020 and received by SSS on May 07, 2021 for the Notice of Disallowance (ND) No. 2012-07 dated June 13, 2012.

FHT from borrowers and other payors are payments received for rental deposits from tenants, and surety bonds from collecting agents and are refunded after expiration of the contract.

FHT from suppliers and creditors are payments of liquidated damages from suppliers and contractors with protest and sale of bid deposits to bidders. Amounts are utilized or refunded to suppliers if the protest is reconsidered and approved. Collections on sale of bid documents are utilized for payment of expenses of the Bid and Awards Committee (BAC) such as the payment of honoraria to BAC members. Unutilized amounts are recorded as miscellaneous income.

SSS provident fund and medical insurance represents the SSS' share in the premium contribution and medical insurance of employees and officials and foreign representatives, respectively.

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

Customers' deposits payable are rental deposits of tenants leasing the SSS properties.

Trust liabilities include the contributions and earnings of *Flexi Fund, PESO Fund, WISP and WISP Plus Fund members*. Guaranteed earnings are 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, based on the 5-year Treasury Bond rate and 364-day Treasury Bill rate.

18. DEFERRED CREDITS/UNEARNED INCOME

This account is composed of the following:

	2022	2021
Current		
Deferred credits – Output tax	793,421	799,975
Unearned rental income	70,204,938	87,987,704
	70,998,359	88,787,679
Non-current		
Unearned income – Unrealized gain-bond	275,360,171	302,210,840
	346,358,530	390,998,519

The output tax is the VAT 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.

19. PROVISIONS

This account is composed of the following:

	2022	2021
Pension benefits payable	268,988,135	759,077,316
Leave benefits payable	882,939,516	1,123,994,445
Retirement gratuity payable	28,691,057	28,691,057
Other provisions	202,508,452	222,240,169
	1,383,127,160	2,134,002,987

Pension benefits payable represents accrual of compulsory retirement benefit pension already entitled but not yet filed or incurred benefits but not yet reported (IBNR) based on the policy guidelines set forth in *Note 2.13*.

Leave benefits payable represents 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, 2022, there were 2,683 employees who availed themselves of the monetization of leave credits with a total amount of P159.732 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, 2022, 172 employees were given RIA in the total amount of P28.436 million.

The provision of the SSS' defined benefit obligation is prepared in accordance with the Philippine Accounting Standards (PAS) 19. The defined benefit obligations represent the SSS' liabilities for the post-employment benefits of its employees. It is calculated using the Projected Unit Credit Method (PUCM), the valuation method prescribed under PAS 19. Using this method, the present value of SSS' defined benefit obligations (PV DBO) and related current service costs were calculated with the assumption that each period of service gives rise to an additional unit of benefit entitlement and measures each unit separately in building up the final obligation. For the CY 2022, there were no recorded provision for retirement gratuity.

Aside from financial assumptions, demographic assumptions were also used in the calculations. These include the assumptions on mortality, disability, and turnover/separation of the employees. The mortality assumptions refer to the probability of death of an employee while the disability assumptions refer to the probability of an employee being disabled. The employee turnover assumptions take into account the probability of an employee leaving employment due to causes other than death (e.g., resignation, retirement, etc.).

20. INSURANCE CONTRACT LIABILITY

	2022	2021
Social Security Fund (SSF)	8,066,715,313,607	7,591,297,256,633
Employee's Compensation (EC) Fund	40,975,309,572	38,283,091,820
	8,107,690,623,179	7,629,580,348,453

Insurance contract liability (ICL) is a social benefit liability (SBL) recognized in compliance with DOF's policy directive requiring government insurance institutions (GIIs) falling under its supervision to adopt PFRS 4, the adoption of which was approved by the SSC under Resolution No. 123-s. 2021 dated March 10, 2021. It is computed based on six per cent discount rate considering SSS' past investment performance, which considered the following: (a) past performance of SSS' investment assets; (b) collectability of its loan receivables; and (c) forward-looking view of the portfolio performance or outlook on SSS' investments and market conditions.

ICL is the sum of the present value of future benefits and expenses, less the present value of future contributions discounted at the appropriate risk-free discount rate. Actuarial valuation methodology and assumptions are discussed in *Note 22*.

21. OTHER PAYABLES

This account is composed of collections not yet distributed as follows:

	2022	2021
Current		
Member loan collections	465,368,378	615,584,146
Sales Contract Receivables collections	70,604,192	94,359,462
OFW collections	16,519,409	45,764,809
Undistributed collections	594,553	1,373,898
Real estate loan collections	671,094	143,308
Rental collections	408,158	135,194
EALP collections	41,157	0
	554,206,941	757,360,817
Non-current		
Other payables	1,050,000,000	50,000,000
	1,604,206,941	807,360,817

On *Member loan collections*, the balance of unposted collections for CY 2022 amounting to P465.368 million was lower than CY 2021 unposted collections by P150.216 million or 24.40 per cent 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 List 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.

Sales Contract Receivables collections are collections for the sale of acquired assets that have not yet been posted to individual buyers' account pending receipt of documents of approved sale. These consist of down payments and monthly amortizations.

OFW collections are remittances from OFWs which are unidentified as of the date of remittance and are reclassified after validation. The decrease in OFW collections amounting to P29.245 million of foreign deposits already validated and identified were reclassified to proper accounts.

The *Undistributed collections* are various collections not yet been posted to subsidiary ledgers of members/

borrowers' and to proper accounts' pending receipt of collecting agencies'/employers' documents and actual distribution of collections and payments whose nature is not indicated by payors.

Since November 2020, SSS has been sending loan billing notices to member-borrowers and employers. This loan billing statement or notice contains a corresponding PRN as part of the Real-Time Processing of Loans (RTPL) program. Individual members and employers must present the PRN when paying at SSS branches with Automated Telling System or any RTPL-compliant partner. The PRN helps facilitate the immediate and correct posting of loan payments matched to their loan accounts.

The non-current portion of *Other Payables* includes the P50 million seed money to fund the initial investment activities of the PESO fund. The SSC in its Resolution No. 140-s. 2021 dated March 24, 2021, approved the extension of the use of the money until the liquidation of the SSS PESO Fund upon the implementation of the new Voluntary Provident Fund Program but pending the approval of the transition guidelines. Further, pursuant to SSC Resolution Nos. 209-s. 2022 and 513-s. 2022, the seed capital of P100 million and P900 million, respectively, was approved to fund the initial investment activities of the New Voluntary Provident Fund (NVPF) Program.

22. EQUITY

The SSS' Equity consists of the following:

	2022	December 31	2021 (Restated) January 01
Reserve fund	(7,362,775,569,903)	(6,951,530,692,584)	(6,106,319,978,085)
Cumulative changes in fair value	(26,055,867,446)	(9,167,674,519)	(23,809,882,311)
Revaluation surplus	6,572,652,754	6,572,652,754	4,046,242,799
	(7,382,258,784,595)	(6,954,125,714,349)	(6,126,083,617,597)

22.1 Reserve fund

The reserve fund consists of the following:

	2022	2021
Reserve fund/Retained earnings	744,919,147,388	678,054,226,254
Reserved fund - policy reserves	(8,107,694,717,291)	(7,629,584,918,838)
	(7,362,775,569,903)	(6,951,530,692,584)
Details of policy reserves are as follows:		
	2022	2021 restated
SS Fund	(8,066,715,313,607)	(7,591,297,256,633)
EC Fund	(40,975,309,572)	(38,283,091,820)
MIA Fund	(4,094,112)	(4,570,385)
	(8,107,694,717,291)	(7,629,584,918,838)

The financial statements have been prepared on a going concern basis, which assumes that the SSS will be able to meet the mandatory payment of members' benefits and operational expenses.

The SSS has recognized a net profit of P52.598 billion for the year ended December 31, 2022, before the recognition of net change in policy reserves of P478.110 billion, due to adoption of PFRS 4, and as at that date, total assets amounted to P773.388 billion. However, as described in *Note 20*, there is a significant increase in liability as the SSS recognized the social benefit liability to its members.

Management believes that the payment of benefits will remain as usual and is confident that it will operate until 2054 as projected by Actuarial experts. The implementation of the new contribution rates and the increase in the Monthly Salary Credit to P25,000 effective January 01, 2021 helped sustain its operations and that will be sufficient to meet operational requirements. Furthermore, under RA No. 11199, otherwise known as the Social Security Act of 2018, Section 21, the Philippine Government guarantees that all the benefits prescribed in the RA shall not be diminished and it accepts general responsibility for the solvency of the System.

Management acknowledges that uncertainty remains over the ability of SSS to meet its funding requirements to pay its members' benefits and operational expenses. However, as described above, Management has a reasonable expectation that the SSS has adequate resources to continue in operational existence for the foreseeable future.

As administrator of the SIF, SSS remits to ECC and its Center 70 per cent of the annual COB of ECC approved by the DBM, details below:

	As at December 31, 2022	As at December 31, 2021
ECC	224,182,488	176,068,900
Center-OSHC	124,382,738	156,598,872
	348,565,226	332,667,772

Investment Reserve Fund (IRF)

All revenues of SSS that are not needed to meet the current administrative and operational expenses are accumulated in the reserve fund. Such portion of the reserve fund that is 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 NG or to any of its agencies or instrumentalities, including government-owned or controlled corporations, except as may be allowed under the SS Act of 2018. 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, 2022, all investment categories are within the SSS charter limits of RA No. 11199.

Actuarial Valuation of the Reserve Fund of the SSS

The SS Act of 2018 requires the SSS Actuary to submit a valuation report every three years or more frequently as may be necessary, to determine the actuarial soundness of the reserve fund of the SSS and to recommend measures on how to improve its viability.

The reserve fund is affected by (a) changes in

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

The latest 2019 Actuarial Valuation of the Social Security Fund (SSF) adheres to the International Standard of Actuarial Practice 2 – Financial Analysis of Social Security Programs as issued by the International Actuarial Association (IAA). This standard has been supported within the International Social Security Association (ISSA) and the International Labour Organization (ILO). It provides actuaries performing the valuation of social security programs the guidance to give intended users confidence that actuarial services are carried out professionally and with due care; the results are relevant to their needs and are presented clearly and understandably; and the assumptions and methodology used are disclosed appropriately. It also promotes the development of consistent actuarial practice for social security programs throughout the world.

The Actuarial Valuation estimates the SSF life and liabilities 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.

SSS has transitioned to PFRS 4 on the reporting of its financial condition, starting with the 2020 Financial Statements. Valuation standards set by the Insurance Commission are to be applied, where the life insurance policy reserve shall

be valued, where appropriate, using gross premium valuation. Unlike the open group projection method used in the Actuarial Valuations, the gross premium valuation applies a closed group projection method, which only considers the existing members up to end of reporting date while continuing their contribution up to a certain date. The 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 liability of a program that is designed to be partially funded, such as the SSS program.

In the gross premium valuation used under the closed group projection method, the Social Benefit Liability (SBL) is computed as the sum of the present value of future benefits and expenses, less the present value of future contributions discounted at the appropriate risk-

free discount rate. In contrast, under the open group projection method, assets are deducted from the ICL to estimate the unfunded liability.

The Valuation using the closed group projection method was conducted for the reporting date of December 31, 2020, December 31, 2021, and December 31, 2022. The cut-off date for actual membership and demographic data is December 31, 2018. These existing members together with new entrants up to the end of reporting date, who continue their contribution up to a certain date, were considered in the projections.

As shown in the following table, the computed social benefit liabilities at a discount rate of 6 per cent are computed at P6.734 trillion as of December 31, 2020, P7.591 trillion as of December 31, 2021, and P8.067 trillion as at December 31, 2022.

**Social Security Fund
Summary of Social Benefit Liability**
(Amount in Trillion Pesos)

	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022
Social Benefit Liability at 6% discount rate	6.734	7.591	8.067

Meanwhile, the comparison of the liabilities computed under the open and closed group projection methods is presented in the following table.

**2019 Actuarial Valuation
Social Security Fund
Comparison of Key Projection Results
Open Group versus Closed Group**
(Amount in Trillion Pesos)

Key Projection Results	Open Group (A)	Closed Group (B)
Year of Reserve Exhaustion	2054	
Year Net Revenue Becomes Negative	2045	
Liability Computation		
(Discount rate = 6 per cent)	(As at Dec. 31, 2022)	(As at Dec. 31, 2022)
Social Benefit Liability	7.324	8.067
Reserves	0.704	
Unfunded Liability	6.620	

Globally, the valuation of a social security scheme is more commonly conducted using the open-group method and has financial indicators as outputs which provide information on the future evolution of costs and on the capacity of the scheme to support them in the long term. One such financial indicator is the year of reserve exhaustion, also known as Fund Life, which presents the number of years the scheme may continue to operate without any changes being made to the legislated contribution rate¹. For the SSF, this year is projected to be in 2054.

The SBL as at December 31, 2022 is at P8.067 trillion, computed using the closed group method. Meanwhile, using the open group method, the liability is at P7.324 trillion. As expected of a partially funded program, the liability under the closed group method is larger than that from the open group method.

¹Pierre Plamondon, et al., *Actuarial Practice in Social Security* (Geneva: International Labor Organization, 2002).

Instead of a seriatim approach, these projections apply a portfolio approach, which works to the advantage of SSS considering the magnitude of its membership data. Lapse assumptions are implicitly considered as well, in the form of density assumptions, probability of contribution payment in a given year, and movement among contributing and non-contributing groups. Margin for Adverse Deviation (MfAD) was applied, as the conservative scenario of the Valuation was used as basis in the liability computations. Meanwhile, these projections already incorporated the scheduled contribution increases up to 15 per cent in 2025 as mandated by RA No. 11199 (Social Security Law of 2018). Note that the projections do not reflect yet the potential impact of the COVID-19 pandemic on the SSS social security program.

The magnitude of the liabilities was caused in part by a structural imbalance, brought about by the mismatch of the increases in pension, monthly salary credit (MSC) ceiling and contribution rate. During the period from 1980 to 2016, pensions were increased through across-the-board pension increases of up to 20 per cent (22 times) and increases in minimum pension amount through RA No. 8282; MSC ceiling was also increased 12 times. The contribution rate, on the other hand, only increased 4 times during the same period, from 8 per cent to 8.4 per cent in 1980, 8.4 per cent to 9.4 per cent in 2003, then to 10.4 per cent in 2007, and finally to 11 per cent in 2014.

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

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

Actuarial Valuation of the Reserve Fund of Employees' Compensation (EC)

SSS manages the Employees' Compensation Program (ECP), which provides social protection against work-related sickness, injury or death, for private sector workers and household helpers who are compulsory members of SSS. Starting 2019, self-employed members were added to the coverage of the program. With the ECP providing coverage to the same members covered under the SS Law, the Actuarial Valuation of the Social Security (SS) Fund then serves as basis for the conduct of the EC Actuarial Valuation. The data, actuarial bases and assumptions, as well as methodology used in the EC Actuarial Valuation are similar to that used in the SS Actuarial Valuation.

The 2019 EC Actuarial Valuation is the latest conducted valuation, which was used as basis for the computation of liabilities. This 2019 EC Actuarial Valuation was based on the 2019 SS Actuarial Valuation.

Similar to the SS Actuarial Valuation, the EC Actuarial Valuation applies the **open group projection method**, where members who will join the System in the future are considered in the projection of revenues and expenditures.

In the transition of the reporting of the financial condition to PFRS 4, the liability for the EC Fund is computed using the same methodology that was applied to that of the SS Fund. In particular, the closed group projection approach of gross premium valuation was applied, where the members that were considered are only those existing members up to the end of reporting date while continuing their contribution up to a certain date. The reporting dates considered were December 31, 2020, December 31, 2021, and December 31, 2022.

The 2018 data on SSS employed members and household helpers was used for the EC Valuation. To apply the closed group methodology in this EC Valuation, new entrants who enter up to year 2020, 2021 or 2022 were included, as applicable to the reporting date. Starting 2019, self-employed members were included in the projections.

The following table presents the computed liability of P23.131 billion as of December 31, 2020, P38.283 billion as of December 31, 2021, and P40.975 billion as at December 31, 2022, at a discount rate of 6 per cent.

Employees' Compensation Fund Summary of Social Benefit Liability (Amount in Billion Pesos)

	As at December 31, 2020	As at December 31, 2021	As at December 31, 2022
Insurance Contract Liability at 6% discount rate	23.131	38.283	40.975

The comparison of the liabilities computed under the open and closed group projection methods is presented in the following table.

**2019 EC Actuarial Valuation
Comparison of Key Projection Results
Open Group versus Closed Group**
(Amount in Billion Pesos)

Key Projection Results	Open Group (A)	Closed Group (B)
Year of Reserve Exhaustion	Beyond 2080	
Year Net Revenue Becomes Negative	Beyond 2080	
Liability Computation		
(Discount rate = 6 per cent)	(As at Dec. 31, 2022)	(As at Dec. 31, 2022)
Social Benefit Liability	12.772	40.975
Reserves	28.115	
Unfunded Liability	(15.343)	

For the EC Fund, the year of reserve exhaustion is projected to be beyond 2080.

The SBL as at December 31, 2022 is at P40.975 billion, computed using the closed group method. Meanwhile, using the open group method, the liability is at P12.772 billion. As expected of a partially funded program, the liability under the closed group method is larger than that from the open group method.

Instead of a seriatim approach, these projections apply a portfolio approach, which works to the advantage of SSS considering the magnitude of EC membership data. Lapse assumptions are implicitly considered as well, in the form of density assumptions, probability of contribution payment in a given year, and movement among contributing and non-contributing groups. Margin for Adverse Deviation (MfAD) was applied, as the conservative scenario of the Valuation was used as basis in the liability computations. Meanwhile, these projections already incorporated the impact of SS Act of 2018, coverage of the self-employed, EO No. 33 and EO No. 54 and the increase in the minimum sickness benefit alongside the increases in the minimum MSC as mandated by RA No. 11199.

Actuarial Valuation of Fire and Earthquake Insurance (FEI)

The data used in the calculation of the liabilities were updated as at December 31, 2022, for Premium Liabilities, it consists of policies with premium payments in 2022 while Claim Liabilities consists of policies with claims as at December 31, 2022. Such data were presented in the form of triangles to provide good visualization of the claims/losses in terms of years of occurrence and payment of the losses.

The premium liability is calculated as the higher between the Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR).

UPR refers to the amount of reserve for that portion of the premium received which is attributable to a period of risk falling beyond the valuation date and is computed using the 24th method.

URR refers to all future claim payments arising from future events after the valuation date that are insured under unexpired policies. It was estimated as the unearned premium multiplied by the ultimate loss ratio, adjusted for future expenses and MfAD.

MfAD allows inherent uncertainty of the best estimate of the policy reserves. The purpose of the MfAD is to consider the viability of claims within a class of business, the diversification between classes of business, and conservatism in the best estimate.

Claims liability refers to all outstanding claims incurred prior to the valuation date, whether they have been reported to SSS or not. The total claim liability is calculated as the sum of Outstanding Claims Reserve, Claims Handling Expense, Incurred but Not Reported (IBNR) Reserve, and MfAD.

Outstanding claims reserve refers to the estimated amount of claims reported but remain unpaid as of valuation date and calculated for accident years 2009-2022 as at December 31, 2022.

Claims handling expense refers to the estimated amount of expenses for settling all claims, whether reported or unreported, outstanding as of valuation date and no claims' handling expense is assumed.

IBNR refers to the provision of claims that have occurred but have not been reported to the company as of the valuation date.

MfAD is calculated at the 75th percentile level of sufficiency using BootChainladder package in R1- a language and environment for statistical computing and graphics with MfAD ratio of 31.85 per cent.

The UPR was computed at P2.830 million, while the URR was computed at P1.270 million. Hence, the Premium Liability is equal to the higher between the two, which is P2.830 million.

Table 1.
Premium Liabilities as at December 31, 2022

	Amount
(1) Unearned Premium Reserve (UPR)	2,830,122.18
(2) Deferred Acquisition Cost (DAC)	0
(3) UPR net of DAC (1) - (2)	2,830,122.18
(4) Unexpired Risk Reserve (URR), (4.2) +(4.3) +(4.4) +(4.5)	1,270,494.70
4.1 Ultimate Loss Ratio	41.25%
4.2 Best Estimate of Future Obligation	1,167,425.40
4.3 Maintenance Expense	0
4.4 Claims Handling Expense	0
4.5 MfAD (amount)	103,069.30
Premium Liability, max [(1), (4)]	2,830,122.18

There were no unpaid claims as of 31 December 2022, hence the Outstanding Claims Reserve is 0. The IBNR reserve was computed at P67,087.17 and the MfAD ratio was computed at 31.85 per cent. These contribute to the total Claim Liability, which is equal to P88,454.43.

Table 2.
Claim Liabilities as at December 31, 2022

	Amount
(1) Outstanding Claims Reserve, (1.1) + (1.2) + (1.3)	0
1.1 Direct Business	0
1.2 Assumed - Treaty	0
1.3 Assumed - Facultative	0
(2) Claims Handling Expense	0
(3) IBNR	67,087.17
(4) MfAD (Percentage)	31.85%
Claims Liability, [(1) + (2) + (3)] x [(1) + (4)]	88,454.43

The premium liability as at December 31, 2022 was lower by P291,937.66 compared to the amount recorded last year. On the other hand, claims liability as at December 31, 2022 was higher by P1,318.72 versus the previous year's figure.

Table 3.
Premium and Claim Liabilities (2021 vs. 2022)

	2021	2022	Increase/ (Decrease)
Premium Liability	3,122,059.84	2,830,122.18	(291,937.66)
Claims Liability	87,135.71	88,454.43	1,318.72
	3,209,195.55	2,918,576.61	(290,618.94)

Actuarial Valuation of Mortgage Redemption Insurance (MRI) Liabilities

The data used in the calculation of liabilities consist of active policies as at December 31, 2022, and it includes information such as age and sex of the borrower-insured, first premium due date, coverage amount, and annual premium.

Valuation date refers to the date as of which the present value of future premiums and benefits are calculated, and the valuation date is set at December 31, 2022.

Discount rate is used to calculate the present value of future cash flows. The assumed discount rate is 6 per cent, similar to the rate used in calculating SSS Social Benefit Liabilities. The same discount rate was used in the past liability calculations.

Mortality assumptions refers to the assumed probabilities of death for the insured borrowers. The mortality assumptions used in the calculations are the same as the baseline assumptions used in the 2019 Actuarial Valuation. In the liability calculations for the year 2019-2021, disability rates were also used. These were not included in this year's calculation since death is the only contingency covered by the policies.

No expense and lapse assumptions were considered in the calculations. On the timing of future cash flows, premium was assumed to be paid at the beginning of each year while death benefits were assumed to be paid at the end of death year. The projected death benefits on the expiration year were pro-rated to account for the proportion of the full year covered under the MRI.

A significant amount of liabilities of a life insurance company comes from policy reserves. Policy reserves represent the liabilities that an insurance company is obligated to pay its policyholders in the future. Hence, SSS has to recognize such liabilities in its financial statements for the MRI policies it issues to its housing loan borrowers.

Due to the reinsurance agreement of SSS with the Association of Mortgage Redemption Insurers (AMRI), which has 16 participating insurers, the benefits and premiums for the policies are equally divided among SSS and the 16 private insurers. The future premiums and benefits considered in the calculations are multiplied by a factor of 1/17 to consider SSS share.

MfAD allows for inherent uncertainty of the best estimate of the policy reserves. The purpose of the MfAD is to consider the variability of claims experience within a class of business, the diversification between classes of business, and conservatism in the best estimate. To incorporate MfAD in the calculations, the conservative mortality assumptions used in the 2019 SS Actuarial Valuation is applied.

The calculated liabilities for the MRI as at December 31, 2022 are as follows:

Table 1
MRI Liabilities as at December 31, 2022

	Amount
Present Value of Future Benefits (a)	2,502,520.61
Present Value of Future Premiums (b)	1,530,816.38
MRI Liabilities (a) - (b)	971,704.23

The calculated liabilities with MfAD are shown in Table 2 below:

Table 2
MRI Liabilities with MfAD as at December 31, 2022

	Amount
Present Value of Future Benefits (a)	2,700,733.87
Present Value of Future Premiums (b)	1,525,198.60
MRI Liabilities (a) - (b)	1,175,535.27

The resulting liability with MfAD is higher than the liability without MfAD. These figures provide a buffer in the event that the mortality experience in the future deviates from the assumed mortality rates.

The present value of future benefits and premiums were both lower in 2022 compared to the previous year. In addition, the total MRI liabilities as of 2022 was lower by P185,652.86 compared to last year's figure, which can be attributed to the dropping of disability rates from the assumptions.

Table 2
MRI Liabilities with MfAD as at December 31, 2022

	2020	2021	Inc/(Dec)	2022	Inc/(Dec)
PV of Future Benefits (a)	3,897,326.91	3,344,726.49	(552,600.42)	2,700,733.87	(643,992.62)
PV Future Premiums (b)	2,478,713.72	1,983,538.36	(495,175.36)	1,525,198.60	(458,339.76)
MIR Liabilities (a) - (b)	1,418,613.19	1,361,188.14	(57,425.06)	1,175,535.27	(185,652.86)

**In the liability calculations for years 2020-2021, disability rates were included in the assumptions. These were not included in this year's calculations since death is the only contingency covered by the policies.*

22.3 Cumulative changes in fair value of FVTOCI

	2022	2021
Balance, January 1	(9,167,674,519)	(23,809,882,311)
Unrealized gain/(loss) arising from revaluation of financial assets at FVTOCI	(16,888,192,927)	14,642,207,792
Balance, December 31	(26,055,867,446)	(9,167,674,519)

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

22.4 Revaluation surplus

A revaluation surplus is the result of revaluation of assets under Property and equipment. The balance represents the excess of revaluation/appraisal value over the book value of the revalued asset. The revaluation surplus as at December 31, 2022 and 2021 amounted to P6.573 billion.

23. SERVICE AND BUSINESS INCOME

This account is composed of the following:

	2022	2021
Members' contributions	260,629,591,737	225,648,375,466
Interest income	27,284,559,510	21,164,523,170
Dividend income	4,821,472,862	3,730,308,666
Fines and penalties – business income	3,286,276,557	3,177,763,026
Rent/lease income – investment properties	1,216,727,488	1,183,610,613
Income from acquired/foreclosed assets	19,629,546	14,383,180
Management fees	12,855,556	11,647,182
Other business income	486,260,781	383,474,727
	297,757,374,037	255,314,086,030

The service and business income for CY 2022 amounting to P297.757 billion was higher than CY 2021 revenue by P42.443 billion or 16.62 per cent mainly due to the contribution rates increase.

Starting January 1, 2021, the contribution rate increased by one per cent, from the current 12 per cent to 13 per cent. For employed members, including OFW members in countries with Bilateral Labor Agreements with the Philippines, and sea-based OFW members, the additional one per cent is divided equally between them and their employers.

Likewise, the minimum MSC was adjusted to P3,000 from P2,000, except for Kasambahay and OFW members whose minimum MSC will remain at P1,000 and P8,000, respectively, while the maximum MSC was raised to P25,000 from P20,000. The MSC to be considered for the computation of benefits under the regular social security program is capped at P20,000.

The SSS, as part of its corporate social responsibility, provided the Pandemic Relief and Restructuring Programs for the benefit of SSS members and employers affected by the COVID-19 pandemic.

- SSC Resolution No. 444-s. 2021 dated September 01, 2021 and pursuant to Section(4)(a)(1) in relation to Section 22(a) of the Social Security Act of 2018 approved the Pandemic Relief and Restructuring Program 1 - Nationwide implementation of the extension of deadline of Contributions for applicable month of July from August 31, 2021 to September 30, 2021.
- SSC Resolution 524-s.2021 dated October 13, 2021 and 557-s.2021 dated November 03, 2021, approved the Pandemic Relief and Restructuring Program 2 – Condonation of penalties on Social Security Contributions. Availment period is from November 2021 to April 2022.
- SSC Resolution No. 466-s. 2021 dated September 15, 2021, approved the ECC and SSS Joint Circular on the Pandemic Relief and Restructuring Program 3 – Enhanced installment payment program. Availment period is from November 2021 to October 2022.

Interest income is derived from the following SSS investments and other sources:

	2022	2021
Bonds investments		
FA at FVTPL	1,306,653,819	1,164,239,309
FA at FVTOCI	2,287,204,085	2,471,764,720
FA at amortized cost	14,060,551,349	11,543,473,341
	17,654,409,253	15,179,477,370
Loans and receivables	8,816,848,195	5,490,060,149
Current/savings/term deposits	652,735,165	420,257,963
Time deposits/treasury bills	791,440	0
Others	127,100,954	37,617,688
	27,251,885,007	21,127,413,170
PhilGuarantee	32,674,503	37,110,000
	27,284,559,510	21,164,523,170

Other interest income consists of the following:

	2022	2021
Installment Payment of Contribution	26,943,166	37,394,777
Non-current Advances FIP & MRI	6,948,817	222,911
Non-current Advances Foreclosure	3,955,137	0
National Government	89,253,834	0
	127,100,954	37,617,688

Other business income consists of the following:

	2022	2021
Rental/Penalty Income – Operating Assets	8,950,751	8,088,550
Inspection Fees – REL	766	1,000
Pre-termination Fee – Flexi-fund	1,699	5,209
Income from ID Replacement	46,166,364	9,571,767
Fire insurance premium	3,949,685	4,397,598
Service Fee – Salary Loan	389,213,940	323,487,630
Rebate of management fees	37,977,570	37,922,973
	486,260,781	383,474,727

24. ASSISTANCE AND SUBSIDY

The Educational Assistance Loan Program (EALP) is funded on a 50:50 basis from the NG and SSS. The subsidy for EALP received for CY 2022 amounts to P336.132 million but no subsidy was received in CY 2021.

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 CY 2012 to CY 2022 amounted to P3.164 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
		759,572,145

NCA No.	Date	Amount
2014		
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
		771,613,074
2015		
BMB-F-15-0005560	April 29, 2015	32,207,250
BMB-F-15-0016231	October 26, 2015	374,662,670
		406,869,920
2016		
BMB-C-16-0006531	April 28, 2016	64,198,930
BMB-C-16-0016736	September 15, 2016	54,212,150
		118,411,080
2017		
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
		541,076,050
2018		
BMB-C-18-0019433	September 17, 2018	185,357,643
2022		
BMB-C-22-0013012	October 17, 2022	336,132,254
		3,164,312,161

25. GAINS

This account consists of the following:

	2022	2021
Gain from changes in fair value of financial instruments	13,124,504,501	10,001,098,877
Gain from changes in fair value of investment properties	8,718,804,321	7,693,934,051
Gain on sale/redemption/transfer of investment	917,681,366	1,127,664,127
Gain on sale of investment properties	33,997,348	19,150,928
Gain on sale/disposal of property and equipment	1,499,536	3,181,451
Gain on foreign exchange (FOREX)	390,368,235	31,796,556
	23,186,855,307	18,876,825,990

Fair value adjustment of financial instruments for CY 2022 at P13.125 billion is higher than the CY 2021 gain by P3.123 billion, mostly due to stock market appreciation of equity securities.

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. Gains or losses, like last year arising from changes in the fair value of the investment properties, are included in profit or loss for the period in which they arise.

Gain on sale/redemption/transfer of investments includes realized gain on sale of equity securities, government securities and NCAHFS.

26. OTHER NON-OPERATING INCOME

This account consists of the following:

	2022	2021
Reversal of impairment loss	4,366,903,916	1,173,348,799
Miscellaneous income	300,794,163	964,835,995
	4,667,698,079	2,138,184,794

The SSS considers certain financial assets to have recovered from impairment losses amounting to P4.367 billion due to the enhanced loan collection efforts and digitalization initiatives implemented by SSS. *Recoveries/reversal of impairment loss* are from the principal, interest and penalties of the following financial assets:

	2022	2021
Member loans	4,059,443,542	552,365,551
Sales contract receivable	19,065	285,857,998
Loan to NHMFC	74,398,909	141,879,813
Corporate notes and bonds	3,749,526	72,714,748
Housing loans	134,055,197	57,668,594
Property and equipment	0	51,837,287
ROPA acquired assets	3,453,424	3,488,532
Collecting banks/agents	953,867	3,798,110
Advances – FIP and MRI	4,907,093	2,214,452
Rental receivables	85,543,293	1,323,604
Other receivables (pension loan, officials & employees)	380,000	200,110
	4,366,903,916	1,173,348,799

Miscellaneous income includes income from car insurance, director fees, income from SSS Dormitory and others with the following details:

	2022	2021
Director's fee	134,145,589	110,973,108
Income from Car Insurance	2,253	2,503
Income from SSS Dormitory	61,500	7,500
Others	116,584,821	853,852,884
	300,794,163	964,835,995

Others mainly consist of adjustment of previous year's collection of premium contributions amounting to P384.065 million and the reclassification of property and equipment to semi-expendable properties based on COA Circular No. 2022-044 amounting to P202.798 million for CYs 2022 and 2021.

27. 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 P242.814 billion and P223.982 billion, with total number of beneficiaries of 39,538,665 and 36,898,812, for CYs 2022 and 2021, respectively, as follows:

	2022	2021
Retirement	141,516,256,803	129,938,540,139
Death	71,315,865,699	63,443,066,863
Maternity	12,858,281,675	13,897,985,503
Disability	6,636,161,439	6,289,747,376
Funeral grant	5,126,721,198	5,294,125,744
Sickness	4,389,597,479	4,042,820,078
Unemployment	961,379,996	1,069,857,440
Medical services	9,609,326	5,843,329
	242,813,873,615	223,981,986,472

Benefit payments of P242.814 billion in CY 2022 are higher than last year's benefit payments by P18.832 billion or 8.41 per cent due to an increase in the number of claims. This is attributed to the implementation of on-line applications of claims and transactions through the My.SSS that facilitated the timely processing of benefit claims pay-out.

28. PERSONNEL SERVICES

This account is composed of the following:

	2022	2021
Salaries and wages	4,299,023,608	3,493,641,133
Other compensation	1,950,929,294	1,967,953,966
Personnel benefit contributions	1,380,800,822	1,587,516,717
Other personnel benefits	492,874,372	677,922,760
	8,123,628,096	7,727,034,576

Pursuant to Republic Act (R.A) No. 10149 which mandates the Governance Commission of GOCCs (GCG) to develop a Compensation and Position Classification System (CPCS) for GOCCs, and by virtue of the powers vested in the President of the Philippines, Executive Order No. (E.O.) 150, series of 2021, was signed and approved by the President on October 01, 2021. SSS received the Authority to Implement (ATI) from GCG on June 1, 2022, and the new CPCS salary structure was effective in July 2022. Appeal to review and for reconsideration of the approved job grades was sent to GCG and the approval was received on November 10, 2022.

Personnel services accounts include the projected amount of P212.413 million representing the CPCS appeal differentials in basic salaries, mandatory government contributions and year-end pay for the period October 2021 to December 2022 of qualified regular and casual employees in view of the approval of the CPCS appeal which took effect on October 5, 2021 and on the CPCS Implementing Guidelines No. 2021-01 dated January 12, 2022 which came out on January 14, 2022.

The increase in personnel services was mainly due to the implementation of the CPCS effective October 5, 2021, with the following approvals:

- SSC Resolution No. 388-s.2022 approving adoption of the salary structure based on the Authorization to implement the CPCS by virtue of GOCC Letter dated May 31, 2022;
- SSC Resolution No. 518-s.2022 approving the budget reallocation of P30 million for the grant of Representation and Transportation Allowance of 382 employees designated in an acting capacity of officer-in-charge to supervisory position equivalent to Section Heads as of October 5, 2021;
- SSC Resolution No. 745-s.2022 approving the implementation of the results of the appeal of Job Grades as contained in the Letter of the GCG dated November 7, 2022, which involved 145 SSS positions; and
- DBM letter dated November 8, 2021 indicating that SSS has the flexibility to modify its utilization within the DBM-approved budget level for items funded out of the corporate funds.

Further, the augmentation in PS is also attributed to the following factual considerations:

- a. The number of promotions increased by 239 per cent from 104 employees in CY 2021 to 353 employees in CY 2022;
- b. The one-time grant of Service Recognition Incentive (SRI) increased by 100 per cent from P10,000 per qualified employee in CY 2021 to P20,000 in CY 2022;
- c. Payment of anniversary Incentive Award amounting to P3,000 per qualified employee which is given during every anniversary milestone of the system;
- d. The resumption of normal operations resulted to the increase in expenses related to actual services rendered, even working on Saturdays (e.g., Night shift differential, Overtime pays, Hazard pays and Subsistence allowance); and
- e. Payment of the CY 2021 actual deficit of P8.700 million in CY 2022 based on DBM letter dated November 8, 2021.

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 the 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 heirs will receive from the fund payments equivalent to his contributions, his proportionate share of the SSS' contributions and investment earnings thereon.

As at December 31, 2022, SSS has a total of 6,525 regular and casual personnel of which 7 are new employees but net of 29 retired/separated employees.

29. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account is composed of the following:

	2022	2021
General services	463,003,999	415,706,451
Utility expenses	246,491,446	196,339,897
Repairs and maintenance	215,806,940	258,895,606
Supplies and materials expenses	186,363,812	54,745,595
Labor and wages	162,971,752	173,605,631
Communication expense	113,243,739	134,310,843
Professional expenses	100,002,615	91,317,388
Travelling expenses	32,390,552	23,072,189
Taxes, insurance premiums and other fees	27,308,098	27,214,051
Training and scholarship expenses	19,134,132	7,998,374
Awards/Rewards, prizes, and indemnities	2,952,691	2,348,245
Confidential, intelligence and extraordinary expenses	1,263,114	1,119,974
Other MOOEs	351,018,144	298,426,713
	1,921,951,034	1,685,100,957

Other MOOE consist of the following:

	2022	2021
Fees and commission expenses	150,261,137	94,683,581
Subscription expenses	65,936,983	68,193,996
Transportation and delivery expenses	42,589,695	33,798,606
Printing and publication expenses	28,684,516	48,967,906
Advertising, promotional and marketing expenses	18,331,832	19,473,097
Directors and committee members' fees	15,442,402	15,732,412
Rent/lease expenses	7,499,337	5,992,079
Membership dues and contributions to organizations	6,468,056	6,176,691
Donations	200,000	117,575
Others	15,604,186	5,290,770
	351,018,144	298,426,713

30. FINANCIAL EXPENSES

This account is composed of the following:

	2022	2021
Interest expenses – lease liability	49,985,041	55,992,142
Bank charges	42,607,369	36,825,091
Other financial charges	112,814,462	121,277,321
	205,406,872	214,094,554

The SSS recognizes interest expense on the lease liability calculated using the effective interest method in view of the new accounting standard on leases (*see Note 2.14*).

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. It also includes Flexi Fund and PESO Fund management fees amounting to P12.856 million and P11.647 million for CY 2022 and CY 2021, respectively.

31. NON-CASH EXPENSES

This account is composed of the following:

	2022	2021
Losses	18,700,228,496	11,362,768,311
Impairment loss	975,831,033	2,257,440,118
Depreciation	575,097,390	614,666,658
Amortization	34,203,563	40,317,779
	20,285,360,482	14,275,192,866

The SSS recognizes losses from the following:

	2022	2021
Changes in fair value of financial instruments	16,935,875,189	7,731,406,906
Changes in fair value of investment properties	1,376,020,541	3,166,190,266
Sale/Redemption/Transfer of Investments	283,780,625	456,332,314
Foreign exchange	99,637,414	6,783,751
Sale/disposal of PE and other assets	4,914,727	2,055,074
	18,700,228,496	11,362,768,311

32. NET CHANGE IN POLICY RESERVES

SSC Resolution No. 123-s. 2021 dated March 10, 2021 approved the adoption of the PFRS 4 in the computation of the ICL for the CY 2020 financial statements and onwards and the use of the discount rate of six per cent.

Net change in policy reserves for CY 2022 is P478.110 billion, which is P394.250 billion or 45.19 per cent lower than the CY 2021 provision of P872.360 billion.

	2022	2021
Insurance Contract Liability		
SSF	8,066,715,313,607	7,591,297,256,633
EC-SIF	40,975,309,572	38,283,091,820
MIA	4,094,111	4,570,385
	8,107,694,717,290	7,629,584,918,838
Net Change		
SSF	475,418,056,973	857,208,021,037
EC-SIF	2,692,217,752	15,152,036,740
MIA	(476,272)	(557,720)
	478,109,798,453	872,359,500,057

33. LEASE COMMITMENTS

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. The 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.

Out of the 307 local and foreign branches, 133 offices located in various locations are rent-free. As at December 31, 2022 and 2021, the total lease payment made amounted to P272.688 million and P248.855 million, respectively (see Notes 15 and 29). Further, there are no sublease agreements made and no occurrences of contingent rent.

SSS as lessor

The SSS leases out a portion of its office space to various tenants under cancellable operating lease agreements and the minimum lease rental amounts to at least P800 per month. The leases have varying terms, escalation clauses and renewal rights. A renewal option is available to the lessee who shall give 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 initiates the pre-termination shall inform the other party in writing at least 60 calendar days before the intended date of termination. In the case the 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 at December 31, 2022 and 2021 amounted to P1.244 billion and P1.205 billion, respectively, details as follows:

	2022	2021
Investment properties	1,216,727,488	1,183,610,613
Leased acquired/foreclosed assets	19,357,226	13,648,203
Operating assets	7,989,794	7,775,572
	1,244,074,508	1,205,034,388

34. RELATED PARTY DISCLOSURES

As at December 31, 2022, the composition of the Social Security Commission (SSC) is as follows:

Board Position	Name	Appointment
1. Ex-Officio Chairperson	Benjamin E. Diokno	Secretary, Department of Finance
2. Vice-Chairperson	Michael G. Regino	President & CEO, SSS
3. Ex-Officio Member	Bienvenido E. Laguesma	Secretary, DOLE
4. Member	Diana Pardo-Aguilar	Representing the Employers' Group
5. Member	Manuel L. Argel Jr.	Representing the Employers' Group
6. Member	Ricardo L. Moldez	Representing the Employers' Group
7. Member	Bai Norhata Macatbar Alonto	Representing the Workers' Group
8. Member	Jose C. Julio	Representing the Workers' Group
9. Member	Anita Bumpus-Quitain	Representing the Workers' Group

Key Management Personnel Remuneration and Compensation

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

	2022	2021
Salaries	79,658,745	32,200,430
Other allowances and benefits	36,585,278	25,553,472
	116,244,023	57,753,902

Meanwhile, the total remuneration received by the Board of Commissioners amounted to P22.062 million and P17.067 million for CYs 2022 and 2021, respectively.

35. RESTATEMENT

The following table summarizes the effect of the adjustments made on the changes in accounting policy.

	December 31, 2021			January 01, 2021		
	(In million pesos)					
	As previously reported	Effect of the accounting change	As Restated	As previously reported	Effect of the accounting change	As Restated
Payable to Flexi Fund		1,271.31	1,271.31		14.23	14.23
Payable to Peso Fund		166.32	166.32		25.77	25.77
Payable to WISP Fund		15,819.71	15,819.71			
Members' Equity	16,863.60	(16,863.60)		1,281.70	(1,281.70)	
Reserve Fund/Retained Earnings	678,447.91	(393.69)	678,054.22	650,943.97	(39.95)	650,904.02
Reserve Fund – policy reserves	(7,629,584.87)	(0.05)	(7,629,584.92)	(6,757,223.95)	(0.05)	(6,757,224.00)

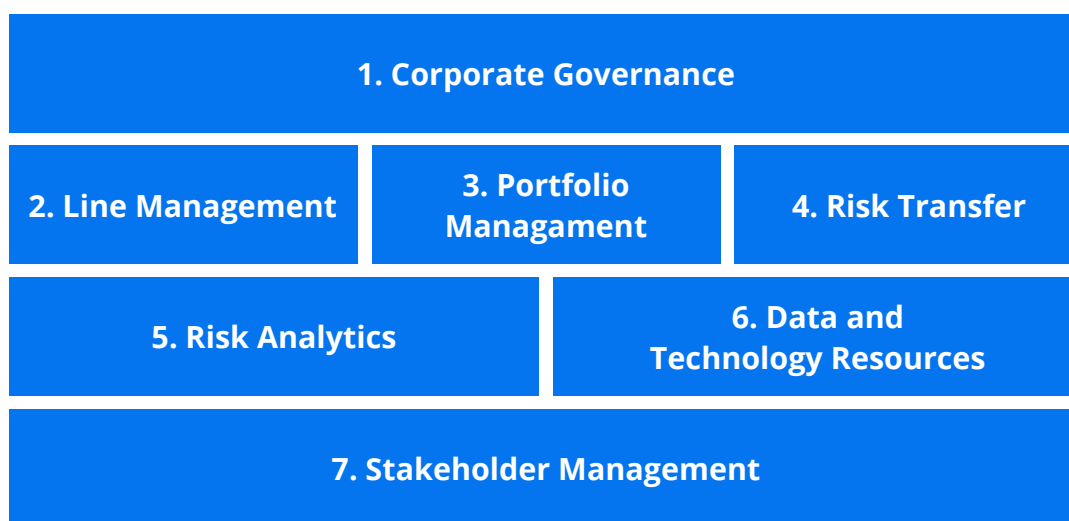
36. FINANCIAL RISK MANAGEMENT

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 a systematic method of addressing these risks, the SSS established and adopted an Enterprise Risk Management (ERM) approach. ERM is a continuous, proactive and integrated process used to identify, assess and manage risks across all areas and at all levels of the organization. This will ensure the alignment of strategic planning and risk management.

Under ERM, SSS implements a risk management process that is carried out in five phases – (1) strategic plan, (2) risk identification and analysis, (3) risk measurement, (4) risk control and treatment and (5) risk monitoring and reporting. The process runs in a continuous cycle to improve the management system by incorporating the lessons learned and feedback of stakeholders. It is conducted across the entire organization throughout the year in all its day-to-day operations.

The SSS ERM has seven key components, as follows:

Seven Components of SSS' ERM



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

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

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

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

3. Portfolio Management – to aggregate risk exposures, incorporate diversification effects, and monitor risk concentrations against established risk limits.

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

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

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

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

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

6. Data and Technology Resources – to support the analytics and reporting processes.

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

7. Stakeholder Management – to communicate and report the organization's risk information to key stakeholders.

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

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

36.1 Financial Risks

Financial Risks refers to the potential losses due to changes in external markets, prices, rates and liquidity supply and demand.

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

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).

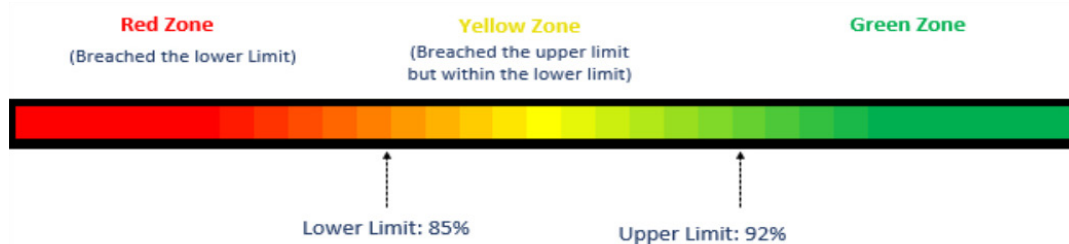
SSS strictly adheres to the provisions of Section 26 of the SS Law, which states that the funds invested in equities, corporate notes/bonds, loans, mutual funds and other financial instruments shall earn an annual income not less than the average rates of treasury bills or any acceptable market yield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

- b. 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 per cent indicate unrealized losses while values greater than 100 per cent 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 the 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 following table shows the maximum credit risk exposure and aging analysis of the SSS financial assets with past due as at December 31, 2022 and 2021.

2022									
Past due but not impaired (Age in months)									
	Neither past due nor impaired	1-12	13-36	37-48	49-60	Over 60	Expired	Impaired	Total
(In Million Pesos)									
Financial assets at FVTPL	71,411	0	0	0	0	0	0	0	71,411
Financial assets at FVTOCI	127,756	0	0	0	0	0	0	8	127,764
Financial assets at amortized cost									
Corporate notes and bonds	34,726	0	0	0	0	0	0	113	34,839
Government notes and bonds	258,641	0	0	0	0	0	0	14	258,655
Loans and receivables:									
NHMFC	0	0	0	0	0	0	6,314	3,113	9,427
Receivable from Private and Gov't Agencies	504	0	0	0	0	0	0	171	675
Housing loans	186	22	2	0	3	21	165	621	1,020
Member loans	38,550	19,839	23,675	0	9,647	19,504	0	5,423	116,638
Pension loans	5,550	0	0	0	0	0	0	13	5,563
Sales contract receivable	287	450	33	11	11	40	15	418	1,265
Rental receivable	82	6	0	0	0	0	0	91	179
Commercial and industrial loans	0	0	0	0	0	0	2	67	69
Program MADE	0	0	0	0	0	0	0	17	17
	537,693	20,317	23,710	11	9,661	19,565	6,496	10,069	627,522

2021									
Past due but not impaired (Age in months)									
	Neither past due nor impaired	1-12	13-36	37-48	49-60	Over 60	Expired	Impaired	Total
(In Million Pesos)									
Financial assets at FVTPL	60,233	0	0	0	0	0	0	0	60,233
Financial assets at FVTOCI	142,782	0	0	0	0	0	0	0	142,782
Financial assets at amortized cost									
Corporate notes and bonds	25,717	0	0	0	0	0	0	40	25,757
Government notes and bonds	219,470	0	0	0	0	0	0	0	219,470
Loans and receivables:									
NHMFC	0	0	0	0	0	0	6,379	3,187	9,566
PGC	400	100	1,100	0	0	0	0	0	1,600
Housing loans	227	31	7	7	3	43	340	754	1,412
Member loans	26,148	31,965	16,703	0	5,873	22,145	0	9,461	112,295
Pension loans	3,523	0	0	0	0	0	0	7	3,530
Sales contract receivable	986	7	18	12	9	19	45	116	1,212
Rental receivable	91	3	0	0	0	0	0	175	269
Commercial and industrial loans	0	0	0	0	0	0	5	64	69
Program MADE	0	0	0	0	0	0	0	17	17
	479,577	32,106	17,828	19	5,885	22,207	6,769	13,821	578,212

To further ensure compliance with Section 26 of SS Law, Policies and Guidelines in Determining and Managing Exposure Limits to Debt and 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: Investment Reserve Fund (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 per cent of the current year's target net revenue:

- 10% for Conglomerate/Group
- 5% for Individual Corporation
- 4% for Individual Corporation's Debt
- 4% for Individual Corporation's Equity

The risk-based principle for computing investment limits 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:

a. Minimum requirements for stockbroker evaluation

- a.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).
- a.2. The stockbroker must belong to the top thirty-five (35) in terms of cumulative value of transactions during the past three years and the latest available PSE data for the current year will be considered. Provided, however, that the number of accredited stockbrokers shall not exceed thirty-five (35).
- a.3. The stockbroker must be in operation for at least five years and must be profitable for three years in these five years of operation. Provided that the stockbroker must be profitable for at least one year in the last two years prior to the application for accreditation.
- a.4. The stockbroker must have a minimum unimpaired paid-up capital of one hundred million pesos (P100 million), or the minimum capitalization required by the SEC, whichever is higher.
- a.5. The stockbroker must provide certification of its positive track record of service from at least three institutional clients.
- a.6. The stockbroker's management team and personnel must be duly licensed by the PSE, SEC, Philippine Depository & Trust Corporation and other relevant regulatory agencies.

b. Stockbroker transactions, allocations and limits

- b.1. Total daily transactions, excluding block transactions, per stockbroker shall not exceed 50 per cent of the stockholder's equity of stockbrokers. (Limit settlement risk)
- b.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 \times 100 per cent and 15 per cent of total SSS transactions.
- b.3. The initial recommendation for allocation of transactions shall be determined based on the results of evaluation for stockbroker accreditation. Subsequent recommendations for allocation shall be based on the monthly performance ratings.
- b.4. 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 a sufficient portfolio of highly marketable assets that can easily be liquidated as protection against unforeseen interruption of cash flow.

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

Also, the RMD developed a Risk Dashboard to provide the Management with a 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 Investments Sector to ensure effectiveness and reliability of models.

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 a change in actual cash flow, change in expectations for future cash flows and accounting inconsistencies.

6. Inflation Risk

This is the risk of a loss in 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.

36.2 Insurance and Demographic Risks

Insurance and demographic risks refer to the potential loss arising from variation in pension fund, claim experience and exposure to adverse persistency, and uncertainty in demographic assumptions when the benefits were designed and valued. This risk also refers to the following:

1. Longevity Risk

The risk that SSS pensioners live longer than expected leads to higher expected payouts.

2. Mortality Risk

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

3. Morbidity Risk

The risk due to deviations of actual mortality rates that adversely differ from assumptions.

4. Claims Inflation

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

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

36.3 Strategic Risks

Strategic risk arises from unanticipated changes in key elements of strategy formulation and/or execution leading to actual strategic outcomes that adversely differ from expectations. This risk also refers to the following:

1. Governance Risk

This risk arises from government not functioning as expected.

2. Political Risk

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

3. Strategic Relationship Risk

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

4. External Relations Risk

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

5. Legislative and Regulatory Risk

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

6. Economic Risk

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

7. Strategic Asset Allocation Risk

This is the risk that the strategic asset allocation is not expected to deliver a particular agreed target return, i.e., the target returns and how the assets are invested to deliver this return are not in sync.

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

36.4 Operational Risks

Operational risk refers to potential loss, whether direct or indirect, due to ineffective and inefficient internal processes, human resource failures, system failure or external events. This risk includes the following:

1. Internal Fraud Risk

These are potential losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, which involve at least one internal party.

2. External Fraud Risk

These are potential losses due to acts intended to defraud, misappropriate property or circumvent the law, by a third party.

3. Employment Practices and Workplace Safety Risk

These are potential losses arising from acts inconsistent with employment, health or safety laws or agreements from payment of personal injury claims or from diversity/discrimination events.

4. Clients, Products and Business Practices Risk

These are potential losses arising from unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product or service.

5. Damage to Physical Asset Risk

These are potential losses arising from loss or damage to physical assets from natural disasters or other events.

6. Business Disruption and System Failure Risk

These are potential losses arising from the disruption of business or system failures due to unavailability of infrastructure or IT.

7. Execution, Delivery and Process Management Risk

These are potential losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

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

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

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

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

services to the public amidst any disruption in operations caused by disasters. Also, SSS has created a Technical Working Group to develop a comprehensive Business Continuity Management Program for SSS to ensure continuity of critical member services, swift return to normal operations and reduce possible loss on the onset of a disruption.

37. EVENTS AFTER THE REPORTING PERIOD

Relative to Section 4a.9 of RA No. 11199, the SSS will implement the increase in rate of contributions as well as the minimum and maximum monthly salary credits effective January 1, 2023. For CY 2023 the new contribution rate is 14 percent; 9.5 and 4.5 per cent for employer and employee, respectively.

As approved by the Social Security Commission during its January 6, 2023 meeting, the President and CEO and Executive Vice President for Investments Sector are designated as authorized signatories on more than P100 million alternative investment initiatives of SSS, which include the outsourcing of fund manager for domestic and foreign investments, placements of funds in collective investment schemes and such other alternative investment instruments that are identified and allowed as provided under Section 26 of RA No. 11199 or the Social Security Law.

Relative to SSS Resolution No. 23-s.2021 dated January 13, 2021, the hiring of nine (9) local fund managers was approved with details as follows.

Mandate	No. of Lots	Managed Fund per LFM	Total Managed Fund per Mandate
Balanced fund	5	P1.5-B	P7.5-B
Pure equity fund	2	1.0-B	2.0-B
Pure Fixed Income Fund	2	1.0-B	2.0-B
Total	9		P11.5-B

Of the target nine local fund mandates, only five mandates will be outsourced to three qualified LFM's with details as follows.

Mandate	No. of Lots	Managed Fund per LFM	Total Managed Fund per Mandate
Balanced fund	BPI Asset Management and Trust Corporation	P1.5-B	Feb 15 to Mar 8, 2023
	Security Bank Corporation	1.5-B	
Pure equity fund	Philequity Management, Inc.	1.0-B	Feb 16 to Mar 1, 2023
Pure Fixed Income Fund	BPI Asset Management and Trust Corporation	1.0-B	Feb 16 to Mar 3, 2023
	Security Bank Corporation	P1.0-B	

On the properties in General Tinio, Nueva Ecija, the ROPAAD requested from the Register of Deed of the Province of Nueva Ecija on March 20, 2023 certified true copies of the Transfer Certificate of the Titles in preparation for the payment by the Land Bank of the Philippines of the land transfer claim of the 11 SSS lots. On March 29, 2023, a meeting was conducted with the SSS Luzon Central Legal Department (LCLD) relative to the Petition for Determination of Just Compensation pending before the RTC Branch 23 of Cabanatuan City, Nueva Ecija, where SSS was required to provide documents related to the CARP Coverage of Raja Santa Property to LCLD for the preparation of draft petition for the revocation of Certificate of Land Ownership Award (CLAO) over the subject property.

Pursuant to the provision of existing laws, Rolando L. Macasaet was appointed as the new President and Chief Executive Officer of the Social Security System, vice Michael G. Regino, by President Ferdinand R. Marcos, Jr. with appointment letter dated December 23, 2022 from the Office of the President of the Philippines, Malacañang. The Oath of Office was held on January 5, 2023.

38. OTHER MATTERS

Commitments

The amount authorized but not yet disbursed for capital expenditures as at December 31, 2022 is approximately P78.900 million. DBM granted SSS the flexibility to modify its utilization within the total DBM-approved budget level. The DBM approved budget for capital expenditures of P1.500 billion was down to P487.900 million utilizing the said flexibility.

39. COMPLIANCE WITH TAX LAWS

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

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

	Amount
Taxes paid as at December 2022	
On compensation	529,155,493
Expanded	46,338,984
VAT and other percentage tax	64,299,709
Final tax	1,499,993
Output tax (VAT)	126,839,254
Taxes withheld as at December 2022 and remitted in Jan 2023	
On compensation	355,597,538
Expanded	11,134,116
VAT and other percentage tax	20,612,488
Final tax	173,915
Output tax (VAT)	9,583,098
	1,165,184,588

The SSS is exempted from all kinds of taxes pursuant to Section 16 of RA No. 11199 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."

Under Section 86 item q. of 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.

40. STATUS OF LAWSUITS

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

Description	Amount	Status
Expropriation case filed by the National Grid Corporation of the Philippines (NGCP) on 60,872 square meters portion of SSS property at Pasay City (Site 2 FCA 7)	1.461 billion	Case withdrawn. The Special Civil Action Case filed with the Regional Trial Court in Pasay City was withdrawn by the Plaintiff, NGCP based on the Order dated 21 July 2021. That was received by SSS on 16 August 2021.
Civil case for Sum of Money with Damages filed against Waterfront Philippines, Inc. (WPI)	1.151 billion	Entry of judgement was issued on 12 December 2022. The Supreme Court decided in G.R. No. 249337 dated 06 July 2021 the following: 1. The Contract of Loan with Real Estate Mortgage with Option to Convert to Shares of Stock, and all accessory contracts appurtenant thereto are declared null and void; 2. The Certificate of Sale dated 19 September 2003 is also declared null and void; and 3. Mutual restitution together with any income, fruits or dividends realized therefrom.
Quieting of title filed by Desiderio Dalisay Investment, Inc. (DDII) – “Dacion en Pago” (Cabaguio Ave. cor. Del Pilar Street, Brgy. Agdao Proper, Agdao, Davao City)	83.586 million	DDII to execute the Deed of Sale over the properties in favor of SSS and surrender the Owner’s Duplicate of Transfer Certificate of Title (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 RTC 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	84.515 million	Pending with RTC – Branch 61, Makati City. Discussion for settlement is on-going.



SSS @ 65: Kontribusyong Pinag-ipunan, Proteksyong Maaasahan



Social Security System

For comments, concerns, and inquiries, please contact:

uSSSapTayo Portal

<http://crms.sss.gov.ph>

ussaptayo@sss.gov.ph

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