Risk Management in the Social Security System

It is the policy of the Social Security System (SSS) to preserve the assets of the System and protect the well-being of its employees, members and stakeholders so that it can fulfill its mandate to provide meaningful protection to members and their families against the hazards of disability, sickness, maternity, old age, death and other contingencies resulting in loss of income or financial burden.

SSS risks can be divided into four (4) principal risk categories:

1. Financial Risks — unexpected changes in external markets, prices, rates and liquidity supply and demand.
2. Insurance and Demographic Risks — risk of 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.
3. Strategic Risks — risk arising from unanticipated changes in key elements of strategy formulation and/or execution leading to actual strategic outcomes that adversely defer from expectations.
4. Operational Risks — exposure to potential loss, whether direct or indirect, due to ineffective and inefficient internal processes, human resource failures, system failure or external events.

In 2016, the Social Security Commission (SSC) approved the implementation of Enterprise Risk Management (ERM) in the SSS. ERM is a holistic approach to risk management, i.e. integrated and coordinated across the organization as a whole. It 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 ensures the alignment of strategic planning and risk management.

The adoption of ERM signifies that SSS recognizes that risks are dynamic, fluid and highly interdependent and cannot be segmented and managed by entirely independent units, and not based on the traditional silo framework. In a silo framework, companies manage risks by treating and addressing each type of risk separately by different individuals or unit, i.e., no one takes responsibility of overall risk reporting, or every risk related unit supplies inconsistent and sometimes contradictory reports.

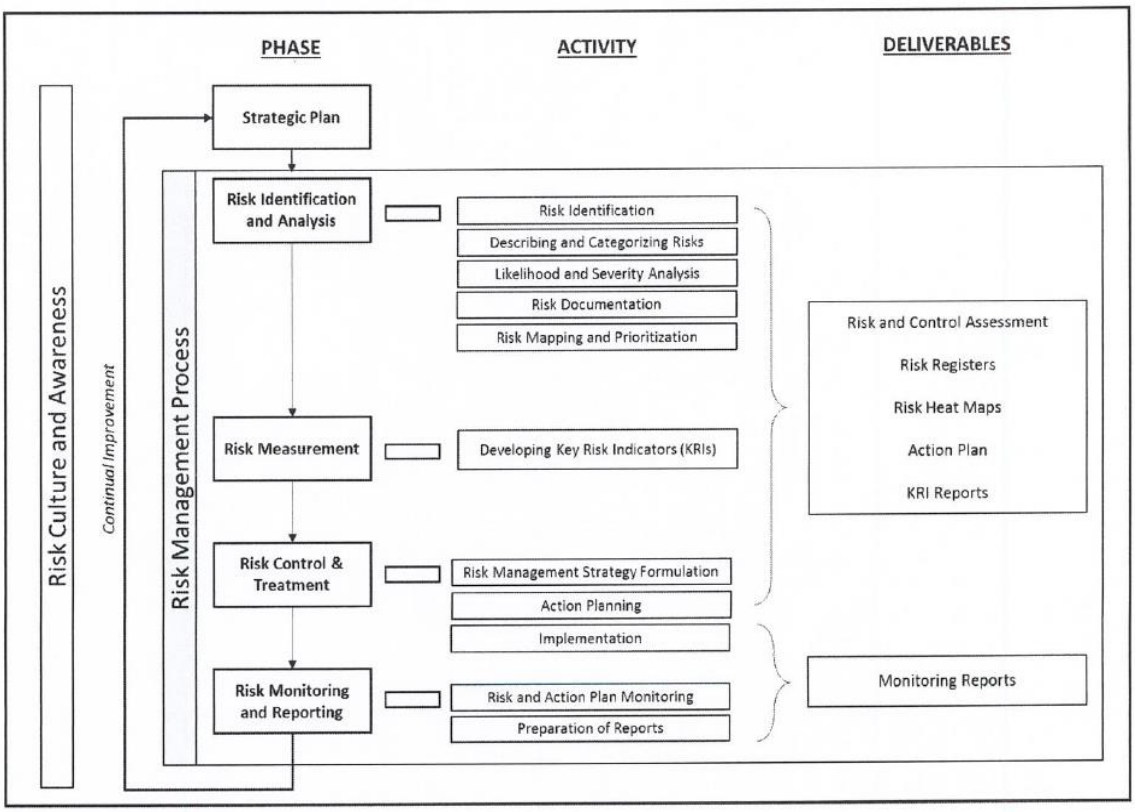
The SSS ERM focuses on the following key components:

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 organization.
2. Line Management - integrate risk management into the investment as well as operational activities of the organization.
3. Portfolio Management - aggregate risk exposures, incorporate diversification effects, and monitor risk concentrations against established risk limits.
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.
5. Risk Analytics - to provide risk measurement, analysis and reporting tools to quantify the organization's risk exposures as well as track external drivers.
6. Data and Technology Resources - to support the analytics and reporting processes.
7. Stakeholder Management - to communicate and report the organization's risk information to key stakeholders.

The SSS ERM Policy adheres to the best practices in the industry in identification, analysis, estimation, and evaluation of risks to ensure that these are managed, eliminated, transferred or contained at all levels within the organization. This is achieved by ensuring that at all times:

- Risks are properly assessed, reported, treated and monitored;
- Risk ownership is taken and communicated;
- Resources are effectively and efficiently allocated to manage risks;
- Risks that could significantly affect SSS' stakeholders are appropriately managed; and
- The SSS is compliant with regulatory and legal requirements.

The implementation of the SSS ERM Policy requires the establishment of a risk management process to provide a systematic method of addressing risks. The SSS ERM Framework is carried out in five (5) phases — (1) Strategic Plan, (2) Risk Identification and Analysis, (3) Risk Measurement, (4) Risk Control and Treatment and (5) Risk Monitoring and Reporting — that run in a continuous cycle to improve the risk management system by incorporating the lessons learned and feedback of stakeholders.



The SSC constituted a Risk Management and Investment Committee (RMIC) responsible for the adoption and oversight of the risk management program of the SSS in accordance with the guidelines prescribed by Governance Commission for GOCCs (GCG).

Risk Management Division (RMD) was established under the Actuarial and Risk Management Group (ARMG), which is primarily responsible for ensuring that a systematic approach is in place in delegating, coordinating and clarifying important risk management roles and duties across the entire organization. RMD also oversees the activities of identifying, measuring, monitoring, mitigating and reporting of risks affecting SSS.

The SSC and the Management are active in the evaluation, scrutiny and approval process on all investments and other activities undertaken by SSS. The SSC has also adopted adequate policies and procedures to ensure compliance with the statutory limits, requirements and provisions under Republic Act 11199 or Social Security Act of 2018.

Since 2014, developments in SSS on risk management include: establishment of risk dashboard, standardization of methods and metrics for risk monitoring, development and enhancement of risk and control self-assessment (RCSA), implementation of risk loss event and incident reporting (RLEIR) and conduct of seminars/workshops to strengthen the risk management culture in SSS.