How Key Risks Are Managed

The Social Security System (SSS) utilizes a holistic approach by adopting Enterprise Risk Management (ERM) in managing its risks. This approach recognizes that risks are interconnected and can have cascading effects on the organization. ERM is a continuous, proactive, and integrated process used to identify, assess, and manage risks in a systematic manner across all areas and at all levels of the organization while considering the interdependencies between different risk categories. This ensures the alignment of strategic planning and risk management.

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 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.

To manage these risks, the SSS established the SSS ERM framework, a multi-faceted approach aimed at identifying, assessing, and mitigating risks across the organization. It is comprised of the following elements to ensure effective management of risks:

1. SSS ERM Policy — serves as the foundational document outlining and articulating the continual commitment of SSS to risk management. It provides the overarching guidelines that govern the entire ERM framework.
2. SSS Risk Management Process — outlines a systematic application of the risk management principles, policy, and framework to proactively assess, treat, report, and monitor risks.
3. Leadership and Commitment — a vital aspect of ERM where the Social Security Commission and top management ensure that risk management is integrated into all organizational activities, that components of the risk management framework are customized and implemented, that a risk management policy is issued, that necessary resources are allocated to managing risk, and that responsibilities and accountabilities are assigned at appropriate levels with the System.

4. Risk Culture and Awareness — a culture where all employees understand the value of risk management.
5. Integration — involves aligning the risk management process with the organization's objectives and embedding it into the System's governance and daily operations, including the decision-making process. This ensures that risk management is not a standalone function but a core part of decision-making and execution.
6. Roles and Responsibilities — establishes accountability and ensures that risk mitigation efforts are well-coordinated. It is a systematic approach of delegating, coordinating, and clarifying important risk management roles and duties.
7. Tools and Metrics — instruments and measurement systems used to quantify and monitor risks. These tools provide data-driven insights, enabling informed decision-making in risk management.
8. Continual Improvement — implies that the ERM framework is designed to be adaptable and responsive to changes in the context of the organization while ensuring not to overcomplicate the risk management process to allow the pursuit of opportunities and flexibility of response.
9. Dynamic — proactive anticipation, detection, acknowledgment, and appropriate and timely response to changes and events that contribute to the fluid nature of risks.