



FACT SHEET

1. SSS Fund Life

The SSS current **fund life** is **2042** based on the **2015 Actuarial valuation**.

Since 2009, systemic increases on benefits and contribution rates were implemented as follows:

- *January 1, 2002*- increase in the maximum monthly salary credit from P12,000 to P15,000 pursuant to SSC Resolution No. 900 dated November 28, 2001
- *March 1, 2003*- increase in the monthly contribution by 1% under SSC Resolution NO. 20 dated January 15, 2003. The increase shall be shouldered solely by the employers who shall contribute 6.07% while employees shall contribute the same at 3.33%, for a total of 9.4%.
- *January 1, 2004*- increase in the minimum MSC of OFWs from P3,000 to P5,000.
- *January 1, 2007*- increase in the contribution rate from 9.4% to 10.4% of the month salary credit under SSC Resolution No. 382 dated September 21, 2006 with employer and employee paying 7.07% and 3.33% respectively
- *October 2, 2013*- approval of contribution rate increase from 10.4% to 11% and increase in the maximum monthly salary credit (MSC) from P15,000 to P16,000 effective for the applicable month of January 2014 per SSC Resolution No. 711 dated September 20, 2013

2. Actuarial Fund Life of other countries

Based on the data presented, all pension systems have a bankruptcy date shorter than 2029: Canada by 2022, UK by 2027 and US by 2033. **However, social security fund in these countries is a significant national problem which should not be emulated.**

Figures in the table below came from various sources. Other figures came from national sources in the case of Korea and Japan; and from the ILO reports for Thailand and Vietnam.

Country	Source	Fund Life
Japan	Japan	post 2055
Korea	Korea NPS	2060
Philippines (SSS)	SSS Report	2042
Thailand	ILO	2051
Vietnam	ILO	2034
USA	OASDI	2034

It can be seen that USA and Vietnam exhaust reserves soonest at 2034. The Vietnam figures predate last year's reforms which should extend the fund life for some additional years. Thus, if SSS fund life resulting from increase in pension is shortened to 2025 then SSS will be in a worse position than older countries (US, Korea and Japan); and worse off than rapidly aging countries (Thailand and Vietnam).

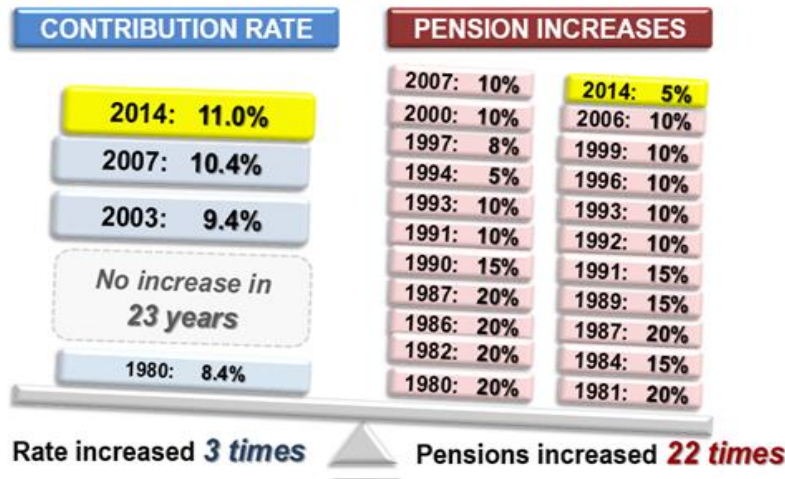
3. Pension Increase vs Contribution Increase



Since 1980, the SSS increased pension **22 times** as compared to contribution rate hike of only **four times**. In fact, for 23 years, between 1980 and 2003, no contribution rate increase took effect.

Below is the comparison between increases in benefit and in contributions:

Increases in Contribution Rate vs. Pension



4. Financial impact on the P2,000 ATBP increase

To provide a quick illustration of the immediate financial impact of the proposal on P2,000 ATBP increase, shown below in Table 1 is the 2016 SSS projected income statement, with additional pension payment projections had the proposal been implemented in 2016.

Table 1.
Immediate Impact of
Legislative Bills on Providing Php 2,000 ATBP Increase on
2016 Projected Income Statement*

(Amount in Billions)

Revenues, [a]=a₁+a₂	
(a ₁) Contribution Collection	143
(a ₂) Investment Income	31
Expenditures, [b]=b₁+b₂	
(b ₁) Benefits (no P2,000 ATBP yet)	133
(b ₂) Operating Expenses	12
Net Revenue, [c]=a-b	28
<i>Less: Proposed P2,000 ATBP Increase</i>	
(d) P2,000 x 2.15 M pensioners x 13 months	56
Deficit, [e]=c-d	(28)

*Based on Consolidated Report and includes 1985-89 benefit adjustment

As can be seen from the table, providing a Php2,000 ATBP increase monthly to around 2.15 million pensioners would mean an additional Php 56 billion benefit payments in 2016 alone, and this would already result to a deficit of Php 28 billion. The net revenue of Php 28 billion under the existing benefit structure is not enough to fund the Php 56 billion increase due to the proposal. This implies that SSS needs to **immediately tap a portion of its reserves** to pay for the Php 28 billion deficit. The deficit is expected to widen in subsequent years.



If the Php 2,000 ATBP will be implemented in 2017, it would result to an additional Php 64 billion benefit payments in that year alone.

To show the long-term financial impact of the proposal, projections of the additional benefit disbursements of providing an ATBP increase of Php 2,000 to be granted to existing pensioners, as well as to all future pensioners, were made. In the following projections, the effectivity of the increase is set in January 2017.

Table 2.
 Long-Term Impact of
 Legislative Bills Providing PhP 2,000 ATBP Increase
 Effective 2017

	Existing	Proposed PhP 2,000 ATBP increase for existing and future pensioners effective 2017
Fund life	2042	2025
Number of years of decrease in fund life		17
Liability	PhP 3.881 trillion	PhP 6.279 trillion
Increase in liability		PhP 2.398 trillion

As seen in Table 2, results of the projections show that with the PhP 2,000 ATBP increase:

1. The fund life would be shortened by 17 years, from year 2042 down to year 2025 and
2. Liability is expected to increase by 62% or around PhP 2.398 trillion.

5. Financial Performance of SSS thru DuPoint Analysis

	2010	2011	2012	2013	2014	2015	Average



Opex as % of Charter Limit	68%	66%	62%	57%	52%	53%	60%
DuPont Analysis:							
Operating Profit Margin (Net Profit / Total Revenue)	21%	22%	28%	28%	29%	25%	26%
Efficiency (Total Revenue / Average Assets)	38%	37%	37%	37%	38%	37%	37%
Leverage (Average Assets / Average Reserves)	103%	103%	103%	103%	103%	102%	103%
Return on Equity (Net Profit / Average Reserves)	8%	8%	11%	11%	11%	10%	10%

(Ratios are taken from audited annual financial statements of SSS)

Between 2010 and 2015, stability of financial condition is readily observable thru efficiency and leverage ratios. **For every 1 peso asset, SSS generated 37 centavo of revenue** as shown by efficiency ratios. With leverage ratio very close to 100%, this means that SSS virtually did not need to borrow for its capitalization requirement.

Improvement of operating profit margin from 21% in 2010 to average 26% was driven by diligent collection efforts and sound management of investments.

Profitability was also driven by moderation in expenses seen thru **decreasing opex from 68% in 2010 down to 53% in 2015**, presented as percentage of charter limit (i.e. 12% of contributions and 3% of investments). The moderate increase in opex by 4.5% per year from 2010 to 2015 somehow helped improve the profit margin.

From all these factors, the **return on equity (ROE) improved from 8% in 2010 to 10% in 2015**; these are moderate but decent numbers. This ratio represents stable accumulation of Reserve Fund that will be eventually returned to SSS members in the form of various benefits in cases of contingencies such as sickness, maternity, disability, death or retirement.

The 2K pension increase will abruptly wipe out operating profit margin in 2017. Investment income, which is preferably intended for the accumulation of Reserves, will not be even sufficient to support the operations. Leverage thru borrowing might be resorted to, but that will only heighten the likelihood of bankruptcy. Reserves will be depleted rapidly.

SSS members will witness zero to negative return (ROE) from their accumulated month-to-month savings. Members and employers may be forced to abruptly increase their contributions as what happened in the past. Government subsidy will just be a `band-aid' solution in that case.

6. Efforts against delinquent employers

From 2010 up to First Semester of 2016, SSS has charged 9,768 employers. The SSS is able to



collect via full payment or settlement from 24,308. Thus, out of the 40,920 delinquent employer referrals from 2010 to First Sem 2016, there are 34,076 delinquent employer accounts against whom cases have been filed or who have fully/partially paid or settled. This is equivalent to 83% of efficiency in terms of legal action on and collection from delinquent employer accounts from 2010 to First Sem 2016. Legal action efforts from 2010 up to first semester 2016 have brought about collection amounting to P1,367,815,028.71 (P1.4B).

There were 37 employer convictions as of November 2016 with collectible amount of P61,332,913.16 (P61.3M).

7. Improvement on Investment Efficiency

SS assets for the most part have not remained idle, for about 70 percent of our P17.9-billion investment properties have been on lease and are bringing in regular income for the SSS. The rest of SSS assets are either for sale, or are retained as SSS property due to their expected increase in value.

- Actual rental income as of Sep. 2016 per IAD report is P421.5M.
- Actual interest income from Sales Contract Receivables per IAD report is P3.72M
- Actual Gain on Sale on sale of properties – P126M

These properties include:

- > Manila Harbour Center - 12 lots
- > Pioneer Highlands Condo - 1 residential unit
- > Bella Villa - 4 residential condo units and 17 parking slots
- > Town & Country Antipolo - 1 residential lot
- > St. Rose, Sta. Rosa - 1 lot

In 2017, SSS plans to sell thru public bidding several residential/commercial/industrial/memorial properties with total book value of P1.2B wherein it hopes to generate net income of P877M.

Under the SS Law, the following are the allowable investment of the reserve fund:

- > 40% in private securities
- > 35% in housing
- > 30% in real estate related investments
- > 10% in short and medium-term member loans
- > 30% in government financial institutions and corporations
- > 30% in infrastructure projects
- > 15% in any particular industry
- > 7.5% in foreign-currency denominated investments

8. Operating Cost and Board Bonuses

Based on a report, SSS Board has large perks and bonuses including the P200 million retirement



package given to five members in 2010. **This is an unverified information and was not included** in the “Report on salaries and allowances received by principal officers and members of governing boards of GOCC” being submitted to and verified by COA either for the period 2009 or 2010. Average total receipts per Commissioner in either year is roughly P1 million only.

This issue is already moot and academic. With **RA 10149 and EO 24 in 2011**, the allowances, bonuses and including counterpart allowances for attendance to board meeting of affiliate investee corporation/s had already been made reasonable and capped not only for SSS but across all GOCCs.

Based also in a report, operating expense of SSS stood at 11% of contribution in 2007 and was still high at 6.73% of total contributions in 2014 as compared to operating expense of pension in Malaysia which is only 2% of contributions while it is only 0.5% of contribution in Singapore.

The operating expense of the **Malaysian Retirement Fund (Incorporated) [KWAP]**, is percentage of total revenue in the consolidated income statement and is equal to **7.25% in 2014**.

For **Singapore’s Central Provident Fund (CPF)**, this is 0.62% in 2014 based on available statement of changes in fund balances. But its **contribution rate is 36% vs 11% for SSS**. Besides, the Singaporean government is a highly integrated ‘business entity’ and is recognized worldwide for competitive advantage.

For **SSS, this is 5.23% in 2014** based on consolidated income statement. This is also equivalent to **only to 52% of Charter limit for operating expenses**, which is reflective of SSS’ cost efficiency effort.

But just for the sake of argument, by mentioning that ‘operating expense of SSS stood at 11% of contributions in 2007 and 6.73% in 2014’, then the **38% reduction rate** is already highly indicative that SSS has been implementing cost efficiency measures thru the years.

SSS' efforts to reduce operating expenses from 2010 to 2015 is indicative in the following:

	Ave. Rate Increase / yr	Remarks
Transactions volume	8.5%	43 mil (2010) 63 mil (2015)
Number of regular employees	2.3%	5,212 (2010) 5,831 (2015)
Operating expenses	4.5%	P7.1 bil (2010) P8.8 bil (2015)
	1.3%	If ave inflation at 3.3% is taken out
Number of Branches		194 (2010) 290 (2015)

9. Philippine Government Subsidy to SSS



This is for further study of the Department of Finance and not included in the bill that was passed in the 16th Congress nor on any of the bills seeking for the P2,000 across-the-board pension increase filed in the 17th Congress.