

RISK OVERSIGHT IN SOCIAL SECURITY SYSTEM

In 2016, the Social Security Commission (SSC) approved the implementation of Enterprise Risk Management (ERM) in the Social Security System (SSS). ERM is a holistic approach to risk management, i.e. integrated and coordinated across the organization as a whole. The SSS ERM focuses on the following key components¹:

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 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.

Under the SSS Enterprise Risk Management Framework, the SSS has established an adequate and effective risk management system with the continuing aim to make itself a highly resilient organization.

¹ Lam, James (2003). *Enterprise Risk Management: From Incentives to Controls*. John Wiley & Sons, Inc. Hoboken, New Jersey.