

SA SSS: KABUHAYANG PINAGSIKAPAN,  
SEGURIDAD MAAASAHAN

20

THE SSS  
ANNUAL REPORT

12



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**ABOUT THE COVER**

*"Sa SSS: Kabuhayang Pinagsikapan, Seguridad Maaasahan"*

Cognizant of the growing informal sector (IS) as an economic contributor and employment generator, the SSS deemed it urgent and necessary to extend social security coverage to IS workers. It thus, defined new approaches to reach out to the IS recognizing the irregularity of IS workers' incomes, particularly the periods of very low or no income, when their sustenance needs takes precedence over social security contributions.

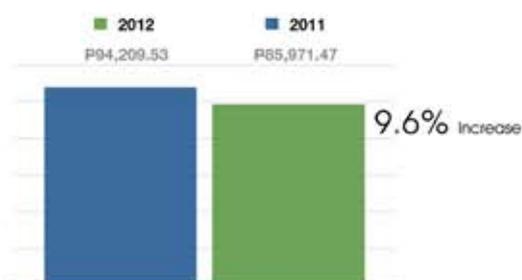
With the theme, "Sa SSS: Kabuhayang Pinagsikapan, Seguridad Maaasahan," this year's Annual Report tackles the ways and means that SSS protects the hard-earned contributions of its members, such as this public transport driver shown on the cover. The SSS grows the social security fund for long-term viability, and provides the social security benefits and quality service that members deserve.



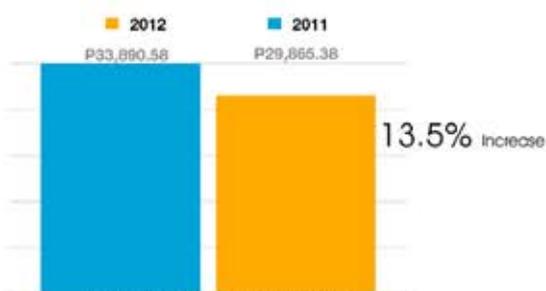
# HIGHLIGHTS OF OPERATIONS

(Amounts in Million Pesos)

## CONSOLIDATED



### CONTRIBUTION COLLECTIONS



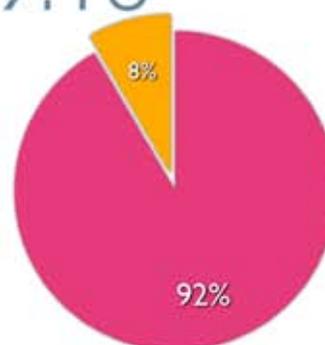
### INVESTMENTS & OTHER INCOME

## Assets

P362,805.05

## Expenditures

P91,899.10



### Expenditures

Benefit Payments  
P84,172.84

Operating Expenses  
P7,726.26

## Net Revenue

P36,201.01

## SOCIAL SECURITY FUND

	For the year		Increase/(Decrease)	
	2012	2011	Amount	%
<b>A. REVENUES &amp; EXPENDITURES</b>				
Revenues	125,399.43	113,166.35	12,233.08	10.8
Contributions	92,727.03	84,602.87	8,124.16	9.6
Investment and Other Income, net	32,672.40	28,563.48	4,108.92	14.4
Expenditures	90,778.99	89,107.39	1,671.60	1.9
Benefit Payments	83,146.99	81,682.88	1,464.11	1.8
Operating Expenses	7,632.00	7,424.51	207.49	2.8
Net Revenue/(Loss)	34,620.44	24,058.96	10,561.48	43.9
<b>B. ASSETS &amp; RESERVES</b>				
Assets	333,362.35	294,775.82	38,586.53	13.1
Investments	317,153.22	276,745.95	40,407.27	14.6
SSS Properties	3,207.86	3,218.49	(10.63)	(0.3)
Others	13,001.27	14,811.38	(1,810.11)	(12.2)
Liabilities	11,505.45	7,815.37	3,690.08	47.2
Reserves	321,856.90	286,960.45	34,896.45	12.2

## EMPLOYEES' COMPENSATION & STATE INSURANCE FUND

	For the year		Increase/(Decrease)	
	2012	2011	Amount	%
<b>A. REVENUES &amp; EXPENDITURES</b>				
Revenues	2,686.75	2,670.49	16.26	0.6
Contributions	1,482.50	1,368.60	113.90	8.3
Investment and Other Income, net	1,204.25	1,301.89	(97.64)	(7.5)
Expenditures	1,120.12	1,174.76	(54.64)	(4.7)
Benefit Payments	1,025.86	1,076.97	(51.11)	(4.7)
Operating Expenses	94.26	97.79	(3.53)	(3.6)
Net Revenue/(Loss)	1,566.63	1,495.73	70.90	4.7
<b>B. ASSETS &amp; RESERVES</b>				
Assets	29,221.17	27,712.43	1,508.74	5.4
Investments	13,040.73	14,060.13	(1,019.40)	(7.3)
Others	16,180.44	13,652.30	2,528.14	18.5
Liabilities	0.05	0.05	-	-
Reserves	29,221.12	27,712.38	1,508.74	5.4

## OUR MANDATE

### DECLARATION OF POLICY

"It is the policy of the State to establish, develop, promote and perfect a sound and viable tax-exempt social security system suitable to the needs of the people throughout the Philippines, which shall promote social justice and 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. Toward this end, the State shall endeavor to extend social security protection to workers and their beneficiaries." (Section 2, RA 8282)

### STATEMENT OF VISION

"The SSS aims to develop and promote a viable, universal and equitable social security protection scheme through world-class service."

**Viable.** Social security protection shall be provided through generations.

**Universal.** Social security protection shall be provided to all residents of the Philippines, citizens and non-citizens alike, regardless of creed, gender, age, geographic location and economic status, especially the disadvantaged, so that no one will become a burden to society.

**Equitable.** Fair and uniform coverage shall be made available to all. Benefits shall be meaningful and able to sustain a decent standard of living.

**World-class service.** Social security service that is prompt, accurate and courteous shall be provided to ensure total member satisfaction.

### STATEMENT OF CORPORATE VALUES

"The SSS aims to institutionalize a corporate culture that instills the core values of trust, empowerment and teamwork."



Malacañan Palace  
Manila  
MESSAGE

My warmest greetings to the board, administration, and staff of the Social Security System on the publication of your 2012 Annual Report.

In 1957, the Social Security System was founded on the most noble of intentions: to secure the future of its members and beneficiaries by providing mechanisms that mitigate the financial burdens of emergencies and bolster post-employment incomes. Fifty-five years hence, SSS has kept true to this aim by expanding coverage among our workforce, providing efficient and responsive service, and ensuring the continuation of its mandate in the coming years through judicious management of the institution's assets.

2012 was another milestone year for SSS. Prudent fiscal handling resulted in a year-end surplus of P10.04 Billion between contributions and benefits, complemented by impressive investment income of P35.72 Billion. More importantly, with the establishment of innovations to better serve new membership sectors, you have ensured that these financial gains will redound to the benefit of the Filipino people.

We have reached the midpoint of our journey of growth and transformation. Let us remain guided by the principles of transparency, accountability, and integrity, as we rally our efforts towards equitable progress and realize our aspirations of a productive and empowered citizenry.



BENIGNO S. AQUINO III

MANILA  
March 2013



## A Better Social Security System Founded on SOCIAL PROTECTION AND GOOD GOVERNANCE

The year 2012 is a particular milestone for the Social Security System (SSS) as it commemorates the 55th year of its establishment as an institution created by law to promote social justice and meaningful protection to members and beneficiaries.

Fifty-five years is not a long time really, but when one looks at how the Philippines had evolved over the same period, we can visualize how enormous the changes have been, and how fast these developments happened, all in our lifetime.

Today's SSS is an organization of over 5,000 officers and employees serving more than 29 million members. This, by itself, is quite a challenge that the Social Security Commission (SSC) is addressing in part by inviting motivated young men and women to join the SSS. This opportunity to make a difference by serving the members of this institution is more than enough incentive to pursue a career in public service.

Given this development, and the expected increase in membership, the SSC gave high-priority directives for management to formulate ways to constantly deliver the best services to its members.

The Philippine government's relentless pursuit of good governance, together with the SSC's firm commitment to enhance SSS as a functional institution with defined roles, clear objectives and realistic plans year on year is a testament to the highest degree of service and professionalism being spearheaded by the Aquino administration and implemented by the Governance Commission for GOCCs (GCG). This Commission and its committees continue to be guided by the values of good governance to enable SSS Management to effectively carry out its mandate.

There are many vital tasks that constantly need to be accomplished towards the goal of universal coverage and social protection.

The SSS is fortunate that efficient use of resources and best returns on SSS investments are constantly achieved, by and large, through the hard work of the good people at SSS management and the specific SSC committees tasked to endorse the policies needed to enable SSS to evolve with the constantly-changing business landscape.

For 2012, the SSC streamlined its committees' membership and managed the number and frequency of its board and committee meetings in order to address and discuss the most agenda matters for fewer meetings, encouraging open expression and independent views. Additional improvements aligned with GCG guidelines, together with an effective strengthening of functions more aligned with SSS mandate as a large financial institution, is a continuing undertaking.

The Committees, headed by a commissioner most suited to task, undertook to perform their particular working roles. The Coverage Committee worked on projects towards broadening coverage of hard-to-reach and informal sectors. OFW Coverage rationalized agreements, staffing and branch presence abroad. Audit worked on systems and procedures to improve accountabilities. Investment Oversight closely monitored the entire SSS investment portfolio

and endorsed policies on handling of SSS investments. Finally, IT reviewed the continuing development of the SSS IT infrastructure.

In 2012, the SSC also approved the implementation of the P7-Billion Educational Assistance Loan Program in partnership with the National Government for the benefit of SSS members or their beneficiaries.

Efforts to strengthen and maintain the viability of the short-term member loan program and divestment of select investment properties and real and other properties acquired are ongoing in a transparent and professional manner.

The SSC is also working on intensifying proper communication and member education that is crucial to a broader understanding of benefits provided by SSS to create a better awareness of the benefits of social protection and the advantages of continued membership. Challenges on service delivery as a result of the implementation of much-needed organizational reforms are also being addressed with great urgency.

Partnerships with local government units and other government agencies were forged and strengthened to monitor compliance with obligations under the Social Security Act. In this regard, the SSC is making significant improvement in the disposition of cases brought before it on issues relating to coverage, membership, entitlement to benefits and other related matters in the implementation of the SS Law.

As a way of empowering SSS officials and employees to continually achieve the goals set for SSS, the SSC approved continuing education and training opportunities to enhance competencies and update management skills.

Since 1957 when SSS commenced its operations, the SSC has consistently regarded the SSS members as the center of this institution. Our decisions, as the present Board, as well as plans and strategies are formulated with the SSS member welfare as ultimate priority with a view of securing a brighter future for themselves and their families.

The SSC also recognizes the equally important role of the SSS as one of the State's key partners in advancing economic development and promoting social justice. This is the main goal of the SSC, since then, as it is still today.



**JUAN B. SANTOS**  
Chairman, Social Security Commission

## A Year of Outstanding Performance and Promises Fulfilled

Year 2012 was a landmark year for the Social Security System (SSS) as the country's largest pension fund for private sector workers celebrated its 55th founding anniversary on September 1st. This historic occasion means that for the past 55 years, the SSS has made - and continues to make - considerable gains in its financial condition and service delivery efforts as a viable and sustainable provider of social protection to an expanding membership of about 29 million Filipinos here and around the world.

This is why we chose for our 55th Anniversary theme: "Sa SSS: Kabuhayang Pinagsikapan, Seguridad Maaasahan." The theme highlights SSS' promise to protect the hard-earned contributions of members through prudent management of investments, rationalized benefit programs, and streamlined operations. This way, SSS can also ensure that members reap the benefits of their hard work and assure the financial security of their families.

This same sentiment is contained in our communication tagline for 2012 - "Miyembro, Billib kami sa 'yo." Indeed, we salute all Filipino workers who toil hard to provide financial security for themselves and their families while maintaining their active membership with SSS for their social protection.

Allow me now to summarize the major initiatives that we successfully pursued in 2012, as proven by our financial and operating performance.

### A. Financial Performance

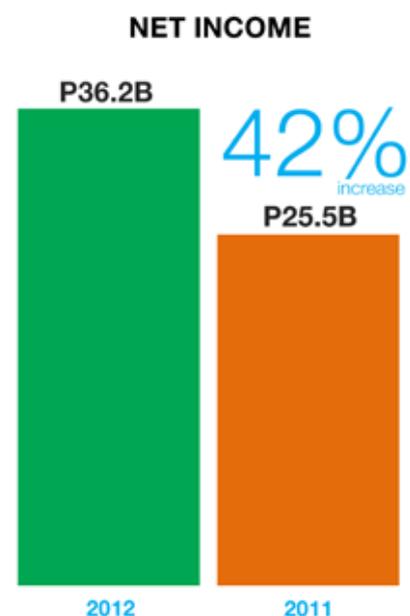
In 2012, the SSS posted a net income of P36.20 billion, an increase of P10.65 billion or 42 percent from the P25.55 billion that we earned in 2011. This net income was fueled by double-digit growths in our contribution collections and investment earnings, accompanied by tighter monitoring of expenses for operations and benefits.

Total SSS revenues in 2012 jumped by 11 percent to P128.10 billion from P115.84 billion in 2011. Contribution Collections, which made up 74 percent of gross revenues in 2012, rose by 10 percent to P94.21 billion, while Investment and Other Income grew by 13.48 percent to P33.89 billion.

In comparison, total SSS expenditures grew by only two percent, from P90.28 billion in 2011 to P91.90 billion in 2012. Of that latter amount, Benefit Releases accounted for P84.17 billion, up by two percent from the P82.76 billion paid out in 2011. The other component of expenditures - Operating Expenses - recorded a much slower growth of three percent to P7.73 billion in 2012, from P7.52 billion in 2011 due to prudent spending.

The surplus of contribution collections over benefit payments, which is an important indicator of SSS' financial health, stood at P10.04 billion for 2012. In comparison, the surplus between contributions and benefits in 2011 amounted to only P3.21 billion. Thus, I am pleased to report that SSS is in a very healthy financial condition.

We continue to find ways and means to keep the fund viable by ensuring a balanced investment portfolio with emphasis on liquidity and risk management. At the same time,





we carefully manage benefit payouts and operating expenses. Our initiatives to enlighten more workers on the value of SSS and the importance of active membership also helped boost contribution collections, which is the lifeblood of the SSS fund.

## B. Coverage Expansion

The SSS Membership currently stands at 29 million. However, with the country's labor force now reaching 40 million, and annually rising, there is still much for SSS to do in order to increase social security coverage not just among the formally-employed sector, but moreso among the ever-expanding informal sector. Thus, the SSS needs to develop new and varied strategies to meet its membership coverage targets and to get these members actively contributing for their own social security protection.

1. *AlkanSSSy Program*. As part of our drive to bring social security protection to more informal sector workers, the SSS launched in early 2012 the "AlkanSSSy" – a micro-savings program that offers convenient collection and remittance of contributions and ensures access to affordable social protection. By the end of 2012, we had signed up 49 informal sector groups, representing over 11,000 potential members, to register as self-employed members under the AlkanSSSy program.

2. *Member-Get-Member promo*. The Member-Get-Member (MGM) promo for OFWs, which ran from January to June 2012, aimed to encourage OFWs to spread the good news of affordable social security protection, by enjoining their fellow OFWs to become or to resume being actively contributing SSS members. A total of 6,249 OFWs joined the MGM promotion, of whom 3,453 were nominees and 2,796 were nominators. During the six-month run of the Promo, we awarded 54 winners during the monthly draws, and 16 winners in the Grand Draw held on September 7, 2013.

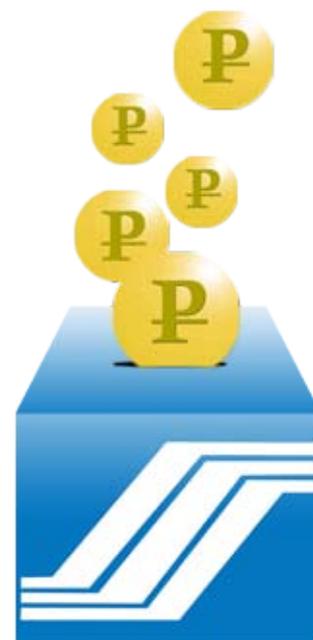
3. *New Foreign Offices*. To reach more overseas-based Filipinos, the SSS opened two new foreign offices in 2012 – one in Dubai and another in Kuala Lumpur, Malaysia. We also detailed more personnel to man our foreign offices, and others to serve as "roving" foreign officers so that they could cover a wider area in their countries of responsibility, while keeping our foreign offices always manned. To ensure the equal social protection of OFWs and Filipinos living and working aboard, we sealed two new bilateral social security agreements (SSAs) in 2012: first with Denmark, then with Portugal. By year-end, negotiations also started for bilateral SSAs with Japan and Sweden.

4. *Stakeholders' Meetings*. To bring SSS closer to our stakeholders, particularly those in the provinces, and to gather direct feedback from them, SSS conducted Stakeholders' Meetings in seven areas in 2012. These were held in Tuguegarao, Laoag and Vigan, General Santos, Iloilo, Olongapo and Bataan.

## C. Service Delivery

The SSS continues to enhance its services, cognizant of the fact that members will join or continue their membership not just because of the benefits that they stand to receive, but more so because of the ease, accessibility and speed by which they are able to transact with SSS. In 2012, many improvements were made in the way SSS delivered its services to members, primarily by strengthening our information and communication technologies.

1. *Text-SSS*. The Text-SSS enhancements we introduced in 2012 enticed members to use more of this facility, which brought steep growths in both registration and number of transactions. Text-SSS now allows members to get updates on the status of their sickness, disability, maternity, retirement and funeral claims, as well as to inquire about required documents for SSS registration, amendment of membership data, filing of benefit claims, and even branch locations.



*"... By the end of 2012, we had signed up 49 informal sector groups, representing over 11,000 potential members."*

A record 601,936 Text-SSS transactions were posted in 2012, reflecting a jump of 106 percent from the total of 291,600 in 2011. The number of new Text-SSS users also showed a similar surge of 107 percent, with a total of 163,384 new registrants recorded in 2012.

2. *SSS Website* – The two-million mark in SSS website registrations was breached in 2012, with a total 645,496 online enrollees, up by 55 percent from the previous high of 416,771 web registrants in 2011. This growth in web enrollees can be traced to SSS website enhancements that enable registered members and employers to file online applications and submit electronic reports at [www.sss.gov.ph](http://www.sss.gov.ph). The number of transactions during the year reached 519,326, which was nine-fold the 2011 volume.

Registered SSS web users reached 2,023,941 as of end-2012, which was 47 percent higher than the 1,378,445 registrants at end-2011. Over 1.7 million company employees comprise majority of SSS web enrollees as of end-2012, or 84 percent of the total number, while employer-web registrants numbered 44,650. These employers with SSS web accounts can conveniently send their collection lists (Form R-3) through the website.

3. *24/5 Call Center* – In 2012, the SSS lengthened its call center operations from 16 hours to 24 hours every weekday to give members more access to updates about their contributions, benefits, loans and other SSS transactions. With longer call center hours, members, regardless of their time of work, can find a time convenient for them to make an SSS query by simply dialling 920-6446 to 55. In 2012, the Call Center received a daily average of 377 calls.

4. *E-Centers* - Another service innovation implemented in 2012 were the E-Centers in selected SSS branches, through which members who have no internet access or are not computer savvy, can use the online computers at the E-Centers in filling out applications for SS numbers, registering as users of SSS electronic facilities, or simply viewing their records through self-service information terminals. Employer reports could also be submitted through the online computers available in our branches.

These E-Centers have been set up in 12 major branches so far, and these are in Diliman, Makati, San Pablo, Biñan, Baguio, Cebu, Cagayan de Oro, General Santos, Digos, Davao, Toril and Tagum branches.

5. *Eliminated UMID Card backlog* – We effectively wiped out the 1.5-million production backlog of the Unified Multi-Purpose ID (UMID) card, and brought the production schedule of the UMID card back to normal. Thus, members can expect their IDs to be ready for mailing within ten working days from the date of application, barring any errors in data capture.

6. *Automated Records Management System* – As of end-2012, the digitization and indexing of members' records through the Automated Records Management System (ARMS) covered over 5.3 million images. At the same time, we completed the conversion into digital images of 1,837 microfilm rolls, or close to 4.4 million images, of SSS Form R3s covering the years 1985 to 1989. This would now facilitate the posting of the "unposted" 1985-1989 contributions, thereby allowing us to comply faster with requests for manual verifications.

7. *Mall-based service offices opened* – In 2012, the SSS opened nine service offices in various Robinsons Malls in Luzon and Metro Manila as a way to augment the services of existing SSS branches in those areas. These service offices were offered free of rent and allowed SSS to serve members conveniently during mall hours, from Tuesday to Saturday. By year-end 2012, the SSS had service offices in four Robinsons Malls in Metro Manila (Ermita, Paco, Ortigas and Novaliches) and five in Luzon (Imus and Dasmariñas in Cavite, Sta. Rosa in Laguna, San Fernando in Pampanga, and Luisita, Tarlac).



## D. Loans Management

Loans granted by SSS primarily serve as investment vehicles for the pension fund. Long-term loans help spur economic growth by providing private sector employers wider access to credit, or individual members with funds to buy, erect or repair their own homes. On the other hand, short-term loans allow qualified members to meet their immediate financial needs.

1. *Loan Penalty Condonation Program* – This Condonation Program for individual members, which ran from April 2 to September 31, 2012, was able to collect a total of P2.878 billion, surpassing the target of P2.432 billion. Partial to full amnesty on loan penalties were granted to about 208,502 delinquent borrowers, who availed themselves of the condonation program and re-paid their loans either on a one-time or installment basis.

2. *Educational Assistance Loan Program* - Last May 2012, the SSS launched the Educational Assistance Loan Program, or "Educ-Assist" – a seven billion-peso loan window consisting of P3.5 billion in national government subsidy and P3.5 billion from SSS. By year-end 2012, the Educ-Assist loan facility had released a total of P148.64 million. Of this amount, some P145.84 million were to finance the education of 11,790 college enrollees, while another P2.8 million were released for 398 students taking up voc-tech programs.

To make the loan program more accessible to lower income members, the Educ-Assist guidelines increased the minimum monthly income requirement from the initial P10,000, to P12,000, in light of changes in minimum wage and cost of living allowance in the National Capital Region (NCR).

3. *Business Loans* – A total of P189.05 million in business loans ranging from P1 million up to P43 million, were released by SSS in 2012, all intended for growth and expansion projects of nine private enterprises that include service providers, real estate and construction firms, and traders of consumer goods.



“We remain steadfast in fulfilling our mandate of service in accordance with the Philippine President’s directives for transparency, good governance and accountability.”

## E. Benefits Administration

Although actuarial constraints may still prevent the immediate granting of new or improved benefit amounts, the SSS nevertheless strived to enhance and rationalize benefits administration and to ensure that members receive their due benefits when they need them.

1. *Annual Confirmation of Pensioners* – In 2012, we re-implemented the Annual Confirmation of Pensioners (ACOP) program with eased compliance procedures, such as allowing pensioners to confirm their eligibility just by visiting their depository bank or any SSS branch on the month of their disability or retirement, or on the month of the member’s death anniversary. Members abroad, infirm or institutionalized were just required to complete and mail back the ACOP reply form, or request for domiciliary visit by SSS personnel.

As a means to protect the pension fund, the ACOP was successful in identifying a total of 2,850 pensioners with a combined monthly pension of P7.57 million to be no longer eligible to receive pension benefits. As a result, their pensions were immediately stopped by SSS branches. Savings from our ACOP implementation in 2012 alone translated to over P90 million every year. This attests to the program’s success in protecting members’ funds from those who attempt to cheat the system of benefits that they are no longer entitled to receive.

2. *Higher Earnings Guaranteed under Flexi-Fund* – Starting July 2012, interest earnings under the Flexi-Fund Program were based on whichever was the highest between the average rates of SSS’ short-term placements or the average 91-day T-bill rate. The latter previously served as sole basis for computation of guaranteed interest income.

The SSS also continued its quarterly repricing of interest rates to keep the Flexi-fund in step with current market conditions. As motivation for Flexi-Fund savers to keep their savings intact, the SSS introduced in 2012 an Annual Incentive Benefit for members without account withdrawals or benefit claims within a given year. The incentive benefit was made equal to the member's share to net interest income earned by Flexi-fund investments, which means qualified OFWs with a bigger amount of equity are entitled to higher annual incentives.

## F. Institutional Strengthening

Finally, as support to all these operational initiatives and enhancements, we embarked on institutional strengthening by restructuring and streamlining our organization, and developing and empowering our human resources.

*1. Reorganization Efforts.* Continuing on the reorganization initiatives started in 2011, clearer delineation was made between Large Account employers and the small- and medium-sized employers and informal sector workers that fall within the jurisdiction of the Branch accounts. The Large Accounts group implemented an industry-specific approach that allowed for better service delivery to these employers with 100 or more employees. Branches, on the other hand, focused their coverage drives on SMEs, the informal sector workers, and household employers and househelpers. Meanwhile, another group dealt with the Self-Employed professionals and non-professionals, and the cooperatives sector.

In 2012, we created the Central Processing Division as a means to improve claims processing while enhancing control measures in benefit claims applications. The creation of this Division also allowed the SSS to rationalize the assignment of its manpower resources and excess office space for better member servicing. From the previous 26 Cluster Processing Centers, this was reduced to 10 and the 253 excess personnel were re-assigned to branches that were in dire need of manpower.

A Branch Categorization System was also developed and implemented based on key transaction volumes (e.g., peso amounts and number of transactions) in order to establish standards in branch staffing, physical size and set-up, and plantilla titles and job descriptions.

*2. Growing Leaders From Within.* The SSS launched in 2012 its flagship Branch Officership Program (BOP), which aimed to hone the knowledge and skills of promising employees to assume branch officership positions in the future. Conducted in partnership with the Ateneo Graduate School of Business (AGSB), the BOP will provide SSS with a deeper leadership bench. Meanwhile, for those in middle management positions, the Middle Management Development Program was rolled out for SSS division heads, cluster heads and branch heads. Training programs were also conducted for Frontliners, Account Officers, and Supervisors. These human resource management programs will prepare the SSS and its workforce for the leadership challenges of the future.

## Some Final Words...

All these accomplishments came from the combined efforts of each and every employee of SSS, under the watchful guidance of the Social Security Commission. We are honored that we continue to enjoy the trust and confidence of our members and stakeholders as we continuously identify and implement better ways through which we can serve our members and protect their interests. We remain steadfast in fulfilling our mandate of service in accordance with the Philippine President's directives for transparency, good governance and accountability.

*Maraming salamat po sa inyong patuloy na tiwala sa inyong SSS.*

  
EMILIO S. DE QUIRÓS, JR.  
President and CEO, Social Security System

*"... we salute all Filipino workers who toil hard to provide financial security for themselves and their families while maintaining their active membership with SSS for their social protection."*

# 2012 IN REVIEW



## 1 Medical Services at the Member Assistance Center (MAC)

A part of the SSS Anniversary celebration was a whole day of medical services held at the Members Assistance Center (MAC) in Quezon City on September 5, 2012. Medical services included ECG, blood sugar and cholesterol readings, eye check-ups and medical consultations.

## 2 SSS-PEBA International Photo Contest: Bilib Kami Sa'Yo

The SSS, in partnership with Pincyo Expats/OFW Blog Awards (PEBA) sponsored a photo contest for OFWs, theme of which anchored on the SSS's corporate tagline – Bilib Kami Sa'Yo. Winners were awarded on December 15, 2012 at the Ramon Magsaysay Hall during the "Sama-Samang Saya at Parangal para sa mga OFWs at kanilang Pamilya: Pamaskong Handog ng SSS at PEBA," an event that served as the culminating activity for 2012. Las Piñas City Representative Cynthia Villar graced the event.

## 3 SSS Anniversary Program with Employees

Nine (9) groups (composed of several divisions per group) competed in the Employees' Program – Talent Show held on September 7, 2012 at the Ramon Magsaysay Hall. Each group displayed a production that featured a particular fiesta or cultural celebration in the Philippines. Group 2 (in photo), under the Office of the President and CEO 2 (Management Services and Planning Division, Public Affairs and Special Events Division, Benefits Administration Division, Lending and Asset Management Division, and Medical Services Division) emerged as the overall winner.

## 4 AlkanSSSyas Program for Las Piñas Public Market Vendors

The SSS expanded its coverage of informal sector workers through a microsavings program called "AlkanSSSyas" that offers convenient remittance of contributions and ensures access to affordable social protection. The program was offered to members of the United Vendors of Las Piñas Public Market (UVLPPM), through a memorandum of agreement (MOA) signed by SSS Las Piñas Branch Head Amalia Tolentino and UVLPPM President Meneses D. Poreja in ceremonies held on

October 2, 2012 at the New Las Piñas City Public Market at Zapote, Las Piñas City. Photo shows PCEO Emilio de Quiros Jr. and other SSS officials watching as the market vendors excitedly looked for their assigned slots to drop in coins to kick off their savings for their SSS contributions.

## 5 Balikat ng Bayan Awardees

The SSS honored its institutional partners on August 30, 2012 during the Balikat ng Bayan Awards, which was one of the highlights of the SSS Anniversary celebration. The award, annually given since 1995 to employer-members and partner banks, is the SSS' way of acknowledging the value of its partnerships with other sectors for their unwavering support to the programs of the SSS.

## 6 Philippine-Portugal Social Security Agreement

The Philippines and Portugal took a step closer to concluding a social security agreement (SSA) that would provide their workers with mutually-binding social security protection. In negotiations held on January 18 to 20, 2012 at the SSS Main Office in Quezon City, officials from the two countries finalized the drafts of the Philippine-Portugal SSA and its implementing Administrative Agreement. Photo shows the exchange of signed SSA documents between Ministry of Solidarity and Social Security (MSSS) Director General Jose Cid Proenca and SVP Judy See of SSS. The signing was witnessed by, Ms. Elisabete Sousa Silveira, Head of Negotiation and Coordination of International Social Security, MSSS; Ms. Stella Z. Banawis, ECC Executive Director; Atty. Dionisio C. Ebdane Jr., GSIS SVP for Southern Luzon, Visayas and Mindanao Operations; Atty. Roberto B. Bautista, SSS International Affairs Department Manager; and Mr. Emmanuel R. Fernandez, Director for Southern Europe Division, Department of Foreign Affairs.

## 7 Philippine Business Expo Conference at Manila Hotel

Thirty-four (34) companies, including the SSS, participated in the 38th Philippine Business Conference and Expo held on October 9-11, 2012 at the Manila Hotel with the theme "Investments and Governance, Pillars of Economic Growth". An information booth was set up at the venue, which provided SSS services such as online inquiry, issuance of SSS forms and distribution of flyers.



**8 SSS-Security Bank agreement**

The SSS accredited Security Bank Corporation (SBC) as its first partner for the electronic file and fund transfer of SSS reimbursements under the Sickness and Maternity Benefit Payment Thru the Bank program. Employers that enroll their SBC savings or current accounts with SSS will be automatically reimbursed for their workers benefits in as little as five days instead of waiting for up to 19 days to get SSS checks thru mail. Photo shows SSS PCEO Emilio de Quiros, Jr. and SBC PCEO Alberto Villarosa shaking hands after they signed the agreement at the Security Bank Centre in Makati City on June 22. Also present were SSS Special Assistant to the PCEO Ma. Lourdes Mendoza, SSS Vice President for Benefits Administration Division Agnes San Jose, SSS VP for Treasury Division Gamelin Oczon, SBC Executive Vice President for Corporate and Investment Banking Segment Eduardo Oibas, SBC Senior Vice President and Corporate Banking Group Head Ma. Cristina Tingson and SBC SVP for Information Technology and Transaction Banking Groups Daniel Yu.

**9 Member-Get-Member Promo**

The SSS drew a total of 16 winners during the SSS Member-Get-Member Promo Grand Raffle Draw for overseas Filipino workers at the SSS Main Office in Quezon City on September 7. Participating OFWs with at least six posted contributions from January to June 2012 automatically qualified for the draw. Photo shows Philippine Overseas Employment Administration (POEA) Administrator and Guest of Honor Hans Leo Caddac drawing the entry of Riyadh-based OFW Jonathan Castillo Mandia, who won a travel package as Grand Prize. The SSS also drew two 2nd prize winners of P30,000 each; three 3rd prize winners of P20,000 each; and ten consolation prize winners of P10,000 each. Also present were Commission on Audit representative Elsie Lachica; SSS PCEO Emilio de Quiros, Jr.; Social Security Commission (SSC) labor representative and SSC OFW Committee Chair Daniel Edralin; and SSS Senior Vice President and International Operations Division Head Judy Frances See.

**10 Anniversary Program with President Aquino**

President Benigno S. Aquino III joined the officials and employees of the SSS in commemorating its 55th Anniversary at the SSS Main Office in Quezon City on September 3, 2012. In his keynote speech, the President hailed the SSS for being a steadfast and reliable partner of all hardworking Filipinos. Photo shows SSS officials led by SSC Chairman Juan B. Santos and SSS PCEO Emilio de Quiros, Jr. posing with President Aquino during the Anniversary Program. Also in photo are TESDA Secretary General Joel Villanueva, DOLE Secretary Rosalinda Baldoz, Finance Secretary Cesar Purisima, Presidential Communications Operations Secretary Herminio Coloma, BIR Commissioner Kim Jacinto-Henares and Akbayan Representative Risa Hontiveros-Baraquel.

**11 Jamsostek-Indonesian Study Program**

The SSS hosted a study program for senior officials of PT Jamsostek Persero, a state-owned institution that administers social security programs for private and informal sector workers in Indonesia, from November 12 to 14, 2012. The three-day study tour featured lectures by SSS officials on topics such as benefits, member services, actuarial life, contributions collection, law enforcement, information technology, public relations and communications, human resource, finance and budget management. Photo shows SSS PCEO Emilio de Quiros Jr. receiving a token of appreciation from PT Jamsostek Persero President – Director Elyvn Masassya during the group's courtesy call at the SSS Main Office in Quezon City. Also in photo are Special Assistant to the SSS PCEO Ma. Lourdes Mendoza, SSS Senior Vice President for NCR Operations Group Jose Bautista (2nd from left), SSS Vice President for Public Affairs Marissu Bugante and PT Jamsostek Persero officials.

**12 St. Paul University Job Fair**

As part of its information dissemination campaign, the SSS set up an information booth during the university-wide job fair of St. Paul University in Quezon City wherein students were given applications for social security number, which is one of the requirements upon employment. Information materials were also distributed to educate students on the benefits and privileges an SSS member.

## 2012 IN REVIEW



### 13 Employee Awards

Eleven (11) employees from different sectors of the SSS were given recognition for their outstanding, value-added and results-based performance and consistent demonstration of exemplary work ethics and excellent customer service during the 2012 SSS Employees Award held on September 3, 2012 at the Ramon Magsaysay Hall. The awardees received a plaque/ certificate and a cash prize. Photo shows the employee awardees from different Divisions, Group, Sector and National Levels with SSS officials AVP Daisy S. Real, PCEO Emilio de Quiros, Jr., VP May Catherine Ciriaco and VP Voltaire Agas.

### 14 2012 Mini Olympics

SSS employees from the NCR and Main Office gathered at the Markina Sports Complex on September 8, 2012 for the Mini-Olympics as part of SSS' 55th Anniversary celebration. Photo shows SS President and CEO Emilio de Quiros Jr. (left photo) raising the torch before SSS employees (right photo) to signal the official start of the event.

### 15 Branch Officership Program

The SSS launched in April 2012 the Branch Officership Program (BOP), a six-month leadership program designed to provide a fast-track career path for high potential employees who are capable of advancement to branch officership positions. The program was implemented in partnership with the Ateneo Graduate School of Business (AGSB). Photo shows the first batch of BOP participants displaying their diploma.

### 16 Pamaskong Handog 2012

The SSS held its annual program called "SSS Pamaskong Handog: The Joy of Giving" on December 4, 2012 at the Ramon Magsaysay Hall of the SSS Main Office in Quezon City. SSC Chairman Juan B. Santos (3rd from right), SSS PCEO Emilio de Quiros, Jr. (2nd from right) and SSS Vice President for Public Affairs Marissu Bugante led the distribution of checks ranging from P30,000 to P50,000 to 20 selected charitable institutions. The checks represent the pooled donations of SSS employees nationwide that were matched with a counterpart donation from SSS management.

### 17 Turnover of Relief Goods to Valenzuela and Malabon

A relief operation and medical mission was conducted by the SSS for the calamity victims who suffered from the effects of Southwest Monsoon in NCR and Luzon Clusters. Valenzuela and Malabon were among the cities that were visited by the SSS to distribute relief goods and provide medical assistance to calamity-stricken families. Photo shows members of the SSS Kabalikang Bayan Volunteer Corps during the turnover of relief goods held on October 16, 2012 at Barangay Concepcion, Malabon City.

### 18 2012 Planning Workshop

SSS PCEO Emilio S. de Quiros, Jr. led fellow officials in identifying the targets for 2013 during the Annual Planning Workshop held on October 11-12, 2013 at the Holiday Inn, Clark, Pampanga. Commissioner Ibarra A. Malonzo joined the planning workshop.



*"The AlkanSSSyA program was designed to fit the way of life of informal sector workers and to make saving for monthly SSS premiums as affordable as only P10 to P12 a day."*

In 2012, thousands of informal sector workers were encouraged to register or revive their membership with the SSS under a microsavings program that offers convenient remittance of contributions and ensures their access to affordable social protection. Called "AlkanSSSyA", the program is the national spin-off from the pioneering program called "TrikanSSSyA" that was initiated by the SSS Las Piñas Branch in 2011 to cover tricycle operators and drivers. It has since expanded to cover other informal sector workers who can join AlkanSSSyA through their workers' associations.



The AlkanSSSyA program was designed to fit the way of life of informal sector workers and to make saving for monthly SSS premiums as affordable as only P10 to P12 a day. Metal safety boxes with secure mini-compartments are installed in accessible locations to store AlkanSSSyA savings before these are accounted for and remitted to the nearest SSS collecting agent at the end of every month. One mini-compartment is assigned to every member who can drop in any amount daily until the required P312 contribution is completed to meet the P3,000 monthly salary credit.

The SSS has also drawn support from local governments units, such as the Municipality of Bangued in Abra that passed a resolution last April 2012 seeking SSS coverage of 4,200 tricycle drivers and operators registered in the Bangued Tricycle Franchise Regulatory Board. The resolution cited the "constant occupational hazard of daily exposure to pollution, weather elements and vehicular accidents" as reasons for pursuing social security coverage for Bangued tricycle drivers and operators through the TrikanSSSyA program.



Last November 7, 2012, an SSS presentation on the AlkanSSSyA program before various heads and representatives of Quezon City agencies during an Executive Committee meeting headed by Mayor Herbert Bautista, led to an expression of interest by the Payatas Poverty Alleviation Foundation for the SSS coverage of hundreds of garbage pickers from the Payatas dumpsite. On December 3, 2012, this came to fruition as Payatas Alliance Recycling Exchange (PARE) Multi-Purpose Cooperative, representing 480 garbage-pickers, signed on to partner with SSS in the AlkanSSSyA Program.

As of end-December 2012, some 49 informal sector groups (ISGs), representing over 11,000 potential members, have signed on to join the AlkanSSSyA Program. Twenty-seven additional groups are lined-up for accreditation, including ISGs of tricycle operators and drivers, fisherfolk, farmers, market vendors, and golf course workers, among others.

## THE ANNUAL CONFIRMATION OF PENSIONERS PROGRAM



The Annual Confirmation of Pensioners (ACOP) Program requires SSS pensioners to confirm their continuing entitlement to their pensions by presenting themselves to SSS on a set date, or to send in a duly-signed reply form in case they are not physically able to go to an SSS branch. In 2012, ACOP was implemented with improved procedures that eased the compliance requirements of pensioners.

More than 1.5 million notification letters were sent out to pensioners informing them that they only needed to present themselves personally at their depository bank to confirm their continuing entitlement to pension benefits. Only total disability pensioners were required to personally appear at an SSS office. However, SSS accepted requests for domiciliary visits for those who could not leave their homes due to poor health conditions. Meanwhile, those based overseas or under institutional confinement were asked to send the required documents as proof of ACOP compliance.

Of the 1.5 million notices sent out to pensioners, 1.164 million or 75 percent immediately complied, majority of whom were certified by their depository banks. Based on interviews, document evaluations and physical examinations done on pensioners who complied with ACOP, about 2,850 pensioners with total pensions amounting to P7.5 million were found to be no longer qualified to receive pensions, which were immediately cancelled. The most common reasons for cancelled pensions were death of the pensioner, re-marriage or cohabitation by the surviving spouse, and recovery from disability.

Non-compliance with the ACOP requirement results to an automatic suspension of pension one month after the pensioners' month of contingency (month when they retired, was rendered disabled, or died). As of January 2013, a total of 158,310 pension accounts amounting to P421.1 million per month were suspended. Of these, 2,351 accounts were totally cancelled while the remaining suspended pension accounts can still be resumed, pending the pensioners' compliance with ACOP requirements.

To assist pensioners whose pensions have been suspended but were subsequently able to comply with ACOP requirements, the SSS initiated a twice monthly "pension run" or processing of pension benefit payments. Normally, pension runs are done every fifth day of the month before the applicable month. This means, for example, that pensions for payment in December are already processed by November 5th. In September 2012, the SSS started implementing a second Pension Run every 20th day of the month, which was primarily aimed at processing the resumption of suspended pensions for those who complied with the ACOP past their designated schedule. With the additional pension run, the suspended pensions are reinstated in the month immediately after compliance with ACOP, unlike before when affected pensioners had to wait for at least two months before their suspended pensions could be resumed.



Human resource development went full-steam in 2012, as SSS launched several training programs that not only honed its employees' skills and competencies, but also ensured a career succession plan for the organization.

The Branch Officership Program (BOP), which was started in May 2012 and conducted in partnership with the Ateneo Graduate School of Business (AGSB), aims to deepen the leadership bench in SSS and allow employees to further their careers in the organization, particularly in the branches. The AGBS conducted its Diploma in Management Program for BOP participants at the Ateneo Rockwell Campus in Makati City.

Last October 23, 2012, twenty-five (25) mid-level SSS employees completed the six-month BOP that will provide them an opportunity to fast-track their career and secure branch officership positions. The BOP involved three phases: a mini-MBA classroom-type training conducted by AGBS faculty; an intensive classroom training on branch operations and an on-the-job internship at an SSS branch; and an Action Learning Project to be submitted and an Oral Examination/Revalida before a panel of SSS officials and AGBS faculty. Awards were given to those who excelled in the mini-MBA course and in the Revalida.

Following the graduation ceremonies, the BOP participants were given new branch assignments wherein they are expected to assist their respective Branch Heads

in managing day-to-day branch operations, until such time that they can be officially appointed to Assistant Branch Head positions, subject to the usual selection processes and requirements.

The second cycle of the BOP started in mid-November 2012, but is designed with two program tracks: the first program track will run for six months and is aimed at existing Section Heads in the branches; the second track, meanwhile, will run for one year and is aimed at Section Heads coming from Support and other Operating Units who wish to shift their careers towards branch operations.

Another development program conducted by SSS in 2012 is the Middle Management Development Program (MMDP), which is aimed at SSS division heads (DH), cluster heads (CH) and branch heads (BH). A total of 46 participants successfully completed the first two batches of the MMDP, with their formal graduation rites held on March 8 in time for the BOS Branch Heads' Meeting with the PCEO. Awards were also given to those who excelled academically and in the Revalida.

The five-week long MMDP, in partnership again with the AGBS, is designed to update branch heads with the latest management trends and practices, as well as enhance their critical thinking and strategic decision-making skills. It is

intended initially for the heads of the large and medium branches wherein the earlier BOP participants have been deployed as acting Assistant Branch Heads. The subsequent attendance of these branch and division heads in the MMDP helps ensure alignment of critical thinking and concerns in managing branch operations, as well as strengthen their working partnership as branch leaders, having undergone a similar course at AGSB.

The program consists of five modules: Operations Management, Ethics, Leadership, Marketing Management and Human Resource Management. Aside from the academic program, the participants also undergo an Oral Examination/Revalida, wherein panelists from both the SSS and AGSB put to test the participants' learnings, given problem scenarios.

Batch 1 of the MMDP was held from September 17 to October 12, 2012, while Batch 2 ran from November 19, 2012 to January 11, 2013. Succeeding batches will be scheduled until such time that all the Branch and Division Heads would have undergone the program.



### Sharpening the Saw

Aside from Succession Planning, the SSS HRD plan focused on sharpening the job knowledge, skills and attitudes of the workforce, from the rank-and-file, the supervisors, to the executives. Various training programs were conducted for and attended by over 880 branch and large account officers, 700 member service officers and 116 frontliners, and 250 tellers nationwide. To keep employees updated on the latest issuances and regulations by SSS and by other government agencies, orientations and refresher courses were periodically conducted in-house, while professionals among the workforce (e.g., doctors, lawyers, engineers, architects and radio technicians) were sent to continuing professional education (CPE). Selected employees were also sent abroad for international conferences or foreign study grants related to social security, global e-policy and e-governance, institutional investment, and the like.



By the end of this intensive human resource development program, the SSS can be secured that its leadership bench can meet the demands of helming the institution, providing long-term vision and institutional memory, and continuing its mandate of service for decades to come.



Helping Fund a Brighter Future through Education and Skills Training:

## THE EDUC-ASSIST LOAN PROGRAM

SPECIAL ARTICLE

Last May 2012, in line with the Labor Day celebrations, the SSS launched the Educational Assistance Loan Program, or "Educ-Assist" – a seven billion-peso loan window consisting of P3.5 billion in national government subsidy and P3.5 billion from SSS. Educ-Assist aims to boost the country's socio-economic growth by developing a larger pool of competent professionals and skilled workers. It also helps Filipino workers upgrade their knowledge and skills to secure better jobs and provide a brighter future for their families.

This loan program enables members or their dependents to finance enrollment costs, with the maximum loan amount per semester or trimester pegged at P15,000 for college degrees, and P7,500 for two-year vocational-technical (voc-tech) courses.

*"...higit pa sa babayaran namin ang tatanawin naming utang na loob sa SSS."  
- Cristina Padilla, SSS member*

One of the current Educ-Assist beneficiaries is Kirch Kassel Padilla, a 19-year old college student. Nominated by her mother, Cristina Padilla, Kirch is taking up a Bachelor's degree in Multi-Media Arts at the College of St. Benilde.

Cristina is a single-mother with her own small business selling office supplies and equipment. Knowing the importance of securing her family's well-being, she is an actively-contributing SSS member. As soon as she heard of the Educ-Assist Program in 2012, Cristina applied and was granted a continuing loan of P15,000 per trimester for her daughter's education. While the amount is not nearly enough to meet all of Kirch's matriculation expenses, Cristina is nevertheless thankful.

"Sobrang pasasalamat ako at may ganitong programa ang SSS. Napakalaking tulong sa akin yung P15,000 kada-trimester dahil nababawasan kahit papano ang pasanin ko sa pag-aaral ni Kirch," Cristina said.

("I am very thankful that there is this SSS program. The P15,000 per trimester loan is such a big help because it helps lightens my financial load for Kirch's schooling.")

When crafting the Educ-Assist, SSS sought to make it as accessible as possible. Thus, members with at least 36 contributions – including three monthly premiums within the past 12 months – can already be eligible to borrow for the educational expenses of one beneficiary each. It also increased the monthly salary cap for borrowing members from P10,000 to P15,000 in view of recent minimum wage increases. This substantially widened the field of eligible borrowers.

And since loan releases are made payable directly to the school, this lessened the possibility of any loan mis-use. Not allowing substitution of beneficiaries also ensured that students actually finish their studies and obtain their degree.

Similar to a Study Now-Pay Later scheme, Educ-Assist gives member-borrowers up to three years to repay the loan for voc-tech courses and up to five years for college degrees. The grace period before repayment, which will start on the date of the final loan release, is 18 months for semestral courses and 15 months for trimestral programs.

"Ga-graduate na si Kirch sa 2014, at sabi niya na kapag may trabaho na siya, siya na daw bahala sa pagbabayad sa SSS ng educational loan na ito," Cristina noted.



"Sa totoo lang, higit pa sa babayaran namin ang tatanawin naming utang na loob sa SSS. Napakalaking tulong ito sa mga ordinaryong tao tulad ko na makapagpatapos ng anak sa kolehiyo."

("Kirch will graduate in 2014 and she said that when she gets a job, she will take care of paying this SSS educational loan. In truth, much more than the money we will pay is our gratefulness to SSS. It is a tremendous help to ordinary people like me that I am able to send my child to college.")

More than 12,000 college and voc-tech students across the country have so far benefited from the Educ-Assist program, which distributed loans amounting to P145.8 million for 11,790 college enrollees and another P2.8 million for 398 voc-tech students, for a total disbursement of P148.64 million in 2012.

# LOAN PENALTY CONDONATION PROGRAM FOR INDIVIDUAL MEMBERS



From April 2 to September 30, 2012, a Member Loan Penalty Condonation Program was implemented by SSS, focusing on collecting overdue short-term loans from member-employees, the self-employed and voluntary members. The Program not only aimed to reduce SSS' delinquent member loan accounts, but also gave individual members the opportunity to lighten their loan burden through discounted or waived penalties, as well as restore their good standing with SSS and their full eligibility to their benefits.

However, this Condonation Program differed from past SSS loan penalty condonation programs, in that its terms and requirements depended on the situation of the delinquent borrower. Four situations were listed, each with their own terms and conditions.

For example, SSS waived 100 percent of penalties of members whose loan delinquencies were not their fault, such as those whose employers failed to remit their amortizations to SSS despite deducting loan payments from their salaries. SSS also offered full amnesty to beneficiaries of deceased members who filed their death benefit applications within the availment period. The entire accumulated penalties would be written off, with just the loan principal and interest deducted from the death benefit.

The SSS also took into account members who made actual efforts to pay off their loans. Delinquent borrowers who paid at least three loan amortizations were eligible for amnesty, provided that they also remitted a minimum of three monthly contributions within the last six months prior to applying for loan condonation.

Members with at least three paid amortizations had 90 percent of penalties condoned if they paid in full, while those who chose to pay in monthly installments over three years, at a three percent annual interest rate, had 80 percent of their loan penalties waived.

Finally, borrowers filing total disability or retirement claims within the availment period had 50 percent of their penalties condoned but the loan balance and remaining penalties were deducted from their retirement or disability benefit.

As of December 15, 2012, the SSS was able to collect a total of P2.878 billion under the Condonation Program, which surpassed the target collection of P2.432 billion. Partial to full amnesty on loan penalties were granted to 208,502 delinquent borrowers who availed themselves of the Condonation Program and re-paid their loans either on a one-time or installment basis.

### WORLDWIDE

Overseas Filipino Workers (OFWs) continue to demonstrate their economic value and power as their remittances continued to help fuel our country's economic growth. As an important segment of SSS membership, OFWs likewise help boost SSS contribution collections. In 2012, the SSS collected a total of P2.604 billion in contributions from OFWs, up by 20.1 percent from the P2.168 billion OFW collections in 2011.

The key to SSS' coverage and collection drive in the OFW sector is providing overseas-based members easy access to their membership records and SSS services. SSS initiatives, such as enhancing website services, opening a 24-hour SSS call center, uploading instructional YouTube videos, and having an official SSS Facebook page, were all created with the goal of reaching out to OFWs.

### Flexi-Fund Program

As a way of giving back to OFWs, the SSS approved higher guaranteed earnings for members of Flexi-fund, which is a special provident fund exclusively for OFWs. Starting July 2012, interest earnings under the Flexi-fund Program are based on average rates of SSS' short-term peso placements or 91-day T-bills, whichever is higher. This would help Flexi-fund members earn more from their savings for retirement through prime rates obtained by the SSS for Flexi-fund, whenever the benchmark T-bill rates are low. Granting of annual incentive benefits for qualified members, computed based on excess interest income on Flexi-fund investments, were also approved in 2012 to encourage members to retain their funds by maximizing returns on their savings.

Gaano man tayo kalayo,  
panatag ang loob natin  
dahil may savings sa SSS.



Benepisyo-protektado ka na at 'yong pamilya, may lumalaking ipon pa sa SSS Flexi-Fund. Safe at secured savings ito na mataas ang interes! Para makasali, dapat nasa maximum ang SSS monthly contribution mo. At ang sobrang hulog bilang ipon mo ay ililagay sa 'yong Flexi-Fund account kung saan guaranteed at tax-free ang earnings. At may dagdag na annual incentive benefits pa.

*Miyembro.*  
**BILIB  
KAMI  
SA'YO.**

**Mag-member na at sumali sa Flexi-Fund!**

Website: [www.sss.gov.ph](http://www.sss.gov.ph) • Email: [member\\_relations@sss.gov.ph](mailto:member_relations@sss.gov.ph) • Text: SSS @ 2600  
 Philippine Social Security System • MySSSPhilippines • Tel. Nos.: 920-6446 to 55, 917-7777



As of year-end 2012, the Flexi-fund had over 38,000 paying OFW-members with combined equity of P330 million.

### Member-Get-Member Promo

The Member-Get-Member or MGM raffle promo for OFWs, which ran from January to June 2012, encouraged existing OFW-members to spread the good news of affordable social security protection, by enjoining their fellow OFWs to become active SSS members. A total of 6,249 qualified OFWs joined the MGM promotion, of whom 2,796 were "nominators". The remaining 3,453 were "nominees", or those who have registered for membership for the first time through SSS foreign offices or renewed their membership by resuming payment of their contributions. During the six-month

**MAGANDANG BALITA SA MGA SSS OFW-MEMBERS!**

**SALI NA SA MEMBER-GET-MEMBER RAFFLE PROMO**

**"SA SSS: KASAMAHANG OFW AY PROTEKTADO, MERON PANG PA-PREMYO"**

Promo period: January 1 to June 30, 2012

Napakadaling sumali! Hikayatin ang kasamahang OFW na maging active SSS member at manalo ng maraming pa-premyo.

**Grand Draw is on September 7, 2012**

**1st Prize**  
P50,000 Cash and Plaque  
1 Winner (P50,000 cash and plaque)

**2nd Prize**  
P10,000 Cash and Plaque  
10 Winners (P10,000 cash and plaque)

**3rd Prize**  
P5,000 Cash and Plaque  
100 Winners (P5,000 cash and plaque)

**1000 Winners**  
P1,000 Cash and Plaque  
1000 Winners (P1,000 cash and plaque)

**BANO ANG MAAARANG SUMALI SA PROMO**  
Upang makasali bilang "Member" at makapagbenta ng bagong inventory, kailangan ang OFW ay:  
1. **OFW MEMBER** na ng SSS nang magrehabilito sa promo program at  
2. Nakaipagpatay at nakatala na sa rekord niya sa SSS ng isang (1) kontribusyon (at least P500) sa huling tatlumpit (3) buwan ng pagrehabilito niya sa promo.

**PAANO MAG-REHABITRO SA PROMO**  
Mauubos ang promo registration form sa SSS foreign office o maaariing mag-rehabitro online sa SSS website (www.sss.gov.ph) o kung ang OFW ay nasa Pilipinas, magpadala sa SSS-FO/EA Branch sa atin nang angkopang SSS para mag-RR outing form.

Upang maasali sa promo ang kasamahang OFW bilang "Member", kailangan ng:  
1. Bagong paglang nagrehabilito sa SSS o may SS number na pero wala pang nakatatalang buwanang kontribusyon para sa 2011 at  
2. No-refill sa SSS ng isang "Member" .

Tatanggapin: Sigatad na alam ng "Member" at "Member" ang kaniyang SS number.

For more information and details about the program, visit the SSS website at [www.sss.gov.ph](http://www.sss.gov.ph)

Ang SSS, Kabuhaitan Natin  
New SSS @ Jeddah  
President Under-Secretary General  
Email: [member@sss.gov.ph](mailto:member@sss.gov.ph)  
Tel No. +966 11 430 4444 to 55

run of the promo, SSS awarded 54 winners from the monthly raffle draws, as well as 16 winners in the grand raffle draw held on 7 September 2012. In interviews with the raffle winners, majority said that they would bank their winnings for future use, while others would use them to pay off loans and for family expenses. All of them expressed gratitude to SSS for the promotion and cited the value of their active membership, especially when the time comes when they can no longer work due to old age or unexpected contingencies.

OFW-member Pensees Dawny Figueroa (photo at bottom left) bagged the special prize of P50,000 and a plaque of appreciation for referring 121 nominees under the promo, the highest among all participating OFWs. Mr. Figueroa, who works in the United Arab Emirates (UAE), was on vacation in the Philippines in September and was able to personally receive his prize during the Grand Raffle Draw from SSS President and CEO Emilio de Quiros, Jr. and SS Commissioner Daniel Edralin.

## New Foreign offices and Bilateral Agreements

In 2012, the SSS opened two (2) new foreign offices – one in Dubai and another in Kuala Lumpur, Malaysia. More personnel were detailed to the foreign offices to attend to members' needs as well as to market SSS more extensively.

To date, the Philippines has seven (7) bilateral Social Security Agreements (SSAs) with other countries namely: Austria, United Kingdom & Northern Ireland, Spain, France, Canada (with separate agreement for Quebec province), Switzerland and Belgium, and one (1) Administrative Agreement with the Netherlands. The SSAs with Israel and recently signed agreements with Denmark and Portugal are for ratification, while SSA with Korea is for re-negotiation. As of end-2012, negotiations with Japan and Germany were initiated to further ensure the equal protection of OFWs and Filipinos living and working in these countries.





One of the most important mandates of SSS is to provide fast and accurate services to members. Thus, it is always looking for ways to make member-transactions easier, faster and smoother. In 2012, SSS improved on its various member service centers and went into partnership with a major mall operator to provide more off-site offices that can meet the needs of members beyond regular office hours.

## Extended call center hours

In 2012, the SSS lengthened its Call Center operations from 16 hours to 24 hours during weekdays to give members more access to updated information about their contributions, benefits, loans and other SSS transactions. With longer call center hours, which start from 7:00 am on Mondays up to 7:00 am on Saturdays, members can find a time convenient for them to make an SSS query by simply dialing 920-6446 to 55.

## E-Centers in SSS branches

Electronic (e)-Centers provide self-service information terminals and online computers that allow members who have no internet access or are not computer savvy to do simple transactions such as filling out online applications for SS numbers or register to the SSS website, as well as submit employer reports online. Member Service Representatives (MSRs) are always on-hand to help members navigate the electronic programs, as well as instruct them on how to use the Text-SSS facility, access their accounts through the SSS website, or reach the SSS Call Center or the Interactive Voice Response System (IVRS) via landline telephones. Twelve major branches were installed E-Center facilities in 2012 and these were in Diliman, Makati, San Pablo, Biñan, Baguio, Cebu, Cagayan de Oro, General Santos, Digos, Davao, Toril and Tagum branches.

## Enhanced SSS Website and SSS Facebook Page



The SSS website ([www.sss.gov.ph](http://www.sss.gov.ph)) continues to provide members with greater convenience in transacting with the SSS without them going to a branch office. In 2012, the SSS surpassed the two-million mark in the total number of website-user registrations, with a record 2.023 million registered users, of which 1.7 million were member-employees. Meanwhile, the number of newly-enrolled web users reached 645,496 in 2012, a 59-percent jump from the 405,434 new web registrants in 2011.

This surge in web enrollees can be attributed to enhancements in the website that enable registered members and employers to file online applications and submit electronic reports.

More than half a million SSS transactions were coursed through the SSS website in 2012, about 321,000 of these involving the online filing of employment reports, submission of collection lists, around 10,000 maternity notifications, and nearly 98,500 applications for salary loans.

Meanwhile, the SSS Facebook page remains to be a major communication and information dissemination tool for the pension fund, with a daily average of 150 comments being replied to by SSS MSRs. As of end-2012, there were over 103,000 registered users – or ‘LIKES’ – to the SSS Facebook.

## Service Offices

In 2012, the SSS opened service offices in various Robinsons Malls in Luzon and Metro Manila as a way to decongest existing SSS branches in those areas, as well as provide convenience and accessibility to members, especially outside office hours or regular work days. The SSS has Service Offices in four Robinsons Malls in Metro Manila (Ermita, Paco, Ortigas and Novaliches) and five in Luzon (Imus and Dasmariñas in Cavite, Sta. Rosa in Laguna, San Fernando in Pampanga, and Luisita, Tarlac). These service offices are open Tuesdays to Saturdays, 10:00 am to 6:00 pm.

## Text-SSS

A record 601,936 transactions were made through the mobile phone-based inquiry facility called “Text-SSS” in 2012, reflecting a jump of 106 percent from its total of 291,600 in 2011. The number of new Text-SSS users showed a similar surge of 107 percent, with a total of 163,384 new registrants recorded in 2012 from only 78,795 members joining the program in 2011. Over 313,000 members are registered in Text-SSS as of December 31, 2012.



The Text-SSS enhancements introduced in 2012 gave members a huge incentive to use this facility, which brought steep growths in both registration and number of transactions. Text-SSS now allows members to get updates on the status of their sickness, disability, maternity, retirement and funeral claims. Members can also send feedback on SSS programs and services thru Text-SSS. Other Text-SSS services respond to inquiries about the required documents for SSS registration, amendment of membership data and filing of benefit claims. Members can also check SSS branch locations via Text-SSS.

A total of 212,174 contribution inquiries made up a third of Text-SSS transactions in 2012, up by 64 percent from the 129,029 inquiries posted in 2011.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Social Security System is responsible for all information and representations contained in the consolidated financial statements as of December 31, 2012 and 2011. The financial statements have been prepared in conformity with the accounting principles generally accepted in the Philippines, and reflect amounts that are based on the best estimates and informed judgement of Management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting, which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized.

The Social Security Commission reviews the consolidated financial statements before such statements are approved and submitted to the President of the Philippines and to the Congress of the Philippines.



**JUAN B. SANTOS**  
Chairman  
SS Commission



**EMILIO S. DE QUIROS, JR.**  
President and CEO



**ELVIRA G. ALCANTARA-RESARE**  
Assistant Vice President  
Financial and Budget Division



## INDEPENDENT AUDITOR'S REPORT

The Social Security Commission  
Social Security System  
East Avenue, Dilliman, Quezon City

We have audited the accompanying financial statements of Social Security System, which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Bases for Qualified Opinion

As reported in Observation Nos. 1 to 7 of the audit report, the accuracy of the Receivable - Member Loans, Receivable - Housing Loans, Cash Collecting Officers, and Receivable - Collecting Banks/Agents (CB/CA) accounts with balances of P54.096 billion, P3.726 billion, P370.048 million, and P3.210 billion, respectively, cannot be ascertained due to, among others:

- Unposted collections of P4.605 billion; and the variance between the general and subsidiary balances amounting to P2.364 billion;
- Unposted Real Estate Loan (REL) repayments totaling P900.541 million; and the absence of schedules to support the year-end balance;
- Remittance of 3,874 members' premium contributions to the Fund for calendar year 2012 totaling to P11.058 million not yet posted in their respective subsidiary ledger as of audit date;
- Discrepancies in over-the-counter collections amounting to P75.186 million; as well as the contributions and loan amortizations of Overseas Filipino Workers (OFW) totaling P365.400 million remained unmatched with Payment Return Forms (PRFs); and
- Negative balance totaling P72.977 million on receivables from seven CB/CA due to rejected collection data files.

### Opinion

In our opinion, except for the effects of the matter described in the Bases for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Social Security System as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

### COMMISSION ON AUDIT

**ELENITA D.V. LUMONGSOD**  
State Auditor V  
Supervising Auditor

June 13, 2013

# STATEMENT OF FINANCIAL POSITION

(in Philippine Peso)

	Note	2012	2011
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	16,151,334,531	15,261,264,976
Held-to-maturity investments	4	731,066,508	1,111,085,699
Held-for-trading financial assets	5	2,637,786,634	3,955,564,933
Receivables	6	6,935,537,428	6,423,095,798
Other current assets	7	111,172,632	128,802,211
		26,566,897,733	26,879,813,617
<b>Non-current assets</b>			
Financial assets	8	312,925,169,986	273,388,894,994
Investment property	9	14,222,593,574	12,350,543,727
Property and equipment-net	10	3,207,863,505	3,218,487,660
Intangible assets-net	11	165,062,377	221,846,364
Non-current assets held for sale	12	5,135,260,845	5,705,054,683
Other non-current assets	13	582,206,962	615,259,021
		336,238,157,249	295,500,086,449
<b>TOTAL ASSETS</b>		<b>362,805,054,982</b>	<b>322,379,900,066</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	14	3,520,977,023	2,791,539,369
Funds held in trust	15	729,623,996	670,290,124
Deferred income	16	30,826,723	53,412,065
Other current liabilities	17	5,202,771,522	2,268,055,558
		9,484,199,264	5,783,297,116
<b>Non-Current Liabilities</b>			
Accrued retirement benefits	18	1,504,327,769	1,506,595,044
Rent payable	19	6,794,832	8,583,540
Non-current deferred income	20	387,695,305	408,592,192
		1,898,817,906	1,923,770,776
<b>TOTAL LIABILITIES</b>		<b>11,383,017,170</b>	<b>7,707,067,892</b>
<b>RESERVES</b>	21	351,422,037,812	314,672,832,174
<b>TOTAL LIABILITIES AND RESERVES</b>		<b>362,805,054,982</b>	<b>322,379,900,066</b>

The notes on pages 33 to 45 form part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

(in Philippine Peso)

	Note	2012	2011
<b>REVENUES</b>			
Members' contribution		94,209,535,698	85,971,475,153
Investment and other income	22	33,890,577,071	29,865,376,731
		128,100,112,769	115,836,851,884
<b>EXPENDITURES</b>			
<b>Benefit payments</b>			
	23		
Retirement		43,485,327,474	41,563,400,606
Death		29,169,582,696	29,433,297,692
Maternity		3,913,464,096	3,803,005,955
Disability		3,369,597,372	3,466,980,064
Funeral grant		2,499,582,158	2,590,896,997
Sickness		1,699,732,150	1,867,931,187
Medical services		35,407,216	34,206,447
Rehabilitation services		149,610	129,232
		84,172,842,772	82,759,848,180
<b>Operating Expenses</b>			
Personal services	24	5,326,608,436	5,430,462,232
Maintenance and other operating expenses	25	2,399,654,215	2,091,840,221
		7,726,262,651	7,522,302,453
		91,899,105,423	90,282,150,633
<b>NET REVENUES</b>		36,201,007,346	25,554,701,251
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Available-for-sale financial assets			
Reclassification adjustments		(2,424,120,036)	(3,715,763,322)
Gain on fair value adjustment		2,492,982,697	3,846,223,202
Net gain on revaluation of land		258,102,226	-
		326,964,887	130,459,880
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		36,527,972,233	25,685,161,131

The notes on pages 33 to 45 form part of these financial statements.

# STATEMENT OF CHANGES IN RESERVES

(in Philippine Peso)

	Note	Reserve fund	Investments revaluation reserve	Flexi-Fund members' equity	Property valuation reserve	Contingent surplus	Donated property	Total reserves
<b>Balance, January 1, 2012</b>		285,612,313,743	27,536,562,130	-	1,505,523,674	7,040,647	11,391,980	314,672,832,174
Corporate operating budget of Employees' Compensation Commission and Occupational Safety and Health Center		(108,853,872)	-	-	-	-	-	(108,853,872)
Set-up of Flexi-Fund members' equity		-	-	304,295,602	-	-	-	304,295,602
Contribution		-	-	54,777,913	-	-	-	54,777,913
Withdrawal		-	-	(34,498,076)	-	-	-	(34,498,076)
Guaranteed income		-	-	3,549,056	-	-	-	3,549,056
Management cost of investment		-	-	1,962,782	-	-	-	1,962,782
Total comprehensive income for the year		36,201,007,346	68,862,661	-	258,102,226	-	-	36,527,972,233
<b>BALANCE, DECEMBER 31, 2012</b>	21	321,704,467,217	27,605,424,791	330,087,277	1,763,625,900	7,040,647	11,391,980	351,422,037,812
BALANCE, DECEMBER 31, 2011	21	285,612,313,743	27,536,562,130	-	1,505,523,674	7,040,647	11,391,980	314,672,832,174

The notes on pages 33 to 45 form part of these financial statements.

# STATEMENT OF CASH FLOWS

(in Philippine Peso)

	Note	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Members' contribution		94,209,535,698	85,971,475,153
Investment and other income	22	21,688,960,343	21,100,837,695
Payments to members and beneficiaries		(84,172,744,798)	(82,764,320,618)
Payments for operations		(7,118,383,543)	(6,923,813,251)
Operating income before changes in operating assets and liabilities		24,607,367,700	17,384,178,979
(Increase)/decrease in operating assets			
Held-for-trading financial assets		1,285,917,288	(443,783,179)
Receivables	6	(233,188,638)	752,366,064
Other operating assets		(51,359,919)	(208,494,015)
Increase/(decrease) in operating liabilities			
Funds held in trust		363,629,475	(107,845,708)
Other current liabilities		2,934,715,964	(733,995,603)
Net cash generated from operating activities		28,907,081,870	16,642,426,538
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Loan releases and other investment purchases, net		(27,864,980,421)	(8,342,515,270)
Acquisition of property and equipment, net	10	(65,844,502)	(212,773,615)
Acquisition of intangible assets, net	11	(3,125,195)	(97,166,477)
Net cash used in investing activities		(27,933,950,118)	(8,652,455,362)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Corporate operating budget of Employees' Compensation Commission		(56,667,800)	(45,943,513)
Corporate operating budget of Occupational Safety and Health Center		(52,186,072)	(61,418,700)
Flexi-Fund members' equity			
Contribution		54,777,913	-
Withdrawal		(34,498,076)	-
Guaranteed income		3,549,056	-
Management cost of investment		1,962,782	-
Net cash used in financing activities		(83,062,197)	(107,362,213)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		890,069,555	7,882,608,963
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	3	15,261,264,976	7,378,656,013
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	3	16,151,334,531	15,261,264,976

## 1. REPORTING ENTITY

The Social Security System (SSS) administers social security protection to workers in the private sector. Social security provides replacement income for workers in times of death, disability, sickness, maternity and old age. On September 1, 1957, the Social Security 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, Republic Act (RA) No. 8282, otherwise known as the "Social Security 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 the Social Security Act of 1954 as amended by RA 8282 (SS Law) exempts the SSS and all its benefit payments from all kinds of taxes, fees or charges, customs or import duty.

The SSS is a financial institution in the Philippines. Its principal office is in East Avenue, Quezon City.

The financial statements include the accounts of Employees' Compensation and State Insurance Fund, which is being administered by the SSS, as provided for by Presidential Decree No. 626, as amended. All inter-fund accounts have been eliminated.

The accompanying financial statements were approved and authorized for issue by the Social Security Commission (SSC) on April 24, 2012 under its Resolution No. 295 s.2013.

## 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

#### a. Statement of Compliance

The financial statements of the SSS have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), where practicable. PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

#### b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

- financial assets at fair value through profit or loss are measured at fair value
- marketable securities classified as available-for-sale are measured at fair value
- investment properties are measured at fair value
- land under property and equipment are measured at revalued amount

#### c. 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 New standards, interpretations and amendments to published standards

#### a. Effective in 2012 that are relevant to SSS

There are no PFRS that are effective for the first time for the financial year beginning on or after January 1, 2012 that have a material impact on SSS.

#### b. Effective subsequent to 2012 that are relevant to SSS but not adopted early

##### b.1 PAS 1 (Amendment). Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective annual periods beginning on or after July 1, 2012)

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to PAS 1, the statement of comprehensive income is renamed as statement of profit and loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. An entity is still allowed to use other titles. The amendments to PAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two consecutive statements. However, amendments to PAS 1 require an entity to present separately the items of other comprehensive income that, in accordance with other PFRS/PAS, would be classified to profit or loss if certain conditions are met from those that would never be reclassified to profit or loss. The adoption is not expected to have a significant impact on the financial statements but will result in changes in presentation. The SSS will apply the amendments beginning January 1, 2013.

**b.2** PAS 1 (Annual Improvement to PFRS: 2009-2011 Cycle) – Financial Statement Presentation – Clarification of the Requirements for Comparative Information (effective annual periods beginning on or after January 1, 2013)

PAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification which has a material effect on the information in the statement of financial position at the beginning of the preceding period to present the statement of financial position at the end of the current period and the beginning and end of the preceding period.

**b.3** PFRS 13 Fair Value Measurement (effective for annual periods beginning on or after January 1, 2013)

PFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The SSS has yet to assess the impact of this new standard.

**b.4** PFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2015)

Issued in November 2009 and amended in October 2010, PFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

PFRS 9 requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows from solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument. There shall be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss when the entity's right to receive payment of the dividend is established.

While adoption of PFRS 9 is mandatory from January 1, 2015, earlier application is permitted. The SSS has yet to assess PFRS 9's full impact and it is not practicable to provide reasonable estimate of the effect until a detailed review has been completed.

**2.3** Financial assets

**a.** Date of recognition

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

**b.** 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 fair value through profit or loss.

**c.** Determination of fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices. When current bid prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and option pricing models.

**d.** Classification

The SSS has the following non-derivative financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for sale financial assets.

**d.1** Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss 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 fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

**d.2** Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity for which there is the positive intention and ability to hold to maturity. They are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment in value.

Gains and losses are recognized in profit or loss when the held-to-maturity financial assets are derecognized or impaired, as well as through the amortization process.

### **d.3** Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at cost or amortized cost less impairment in value.

A loan or receivable is deemed impaired when it is considered that it will probably not be possible to recover all the amounts due according to the contractual terms, or equivalent value. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that such loans and receivables are impaired.

### **d.4** Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, available-for-sale 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 available-for-sale financial assets portion. When an available-for-sale financial asset is derecognized, the cumulative gains or losses are transferred to profit or loss and presented as a reclassification adjustment within the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognized in profit or loss when the right to receive payments is established.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from reserves to profit or loss and presented as a reclassification adjustment within the statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

### **e.** 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.

### **f.** Derivative financial instrument

The SSS enters into a derivative financial instrument to manage its exposure to foreign exchange risk. Derivatives are initially recognized at fair value at the date the derivative contract is entered into and is subsequently remeasured to their fair value at the end of each reporting period.

### **g.** Hedge accounting

The SSS designates derivative financial instrument as fair value hedges in respect of foreign exchange risk on foreign currency denominated investment portfolio.

At the inception of the hedge relationship, the SSS documents the relationship between the hedging instrument and the hedge item, along with its risk management objectives and its strategy for undertaking hedge transaction. Furthermore, at the inception of the hedge and on an on-going basis, the SSS documents whether the hedging instrument is highly effective in offsetting fair values of the hedge item attributable to the hedged risk.

### **g.1** Fair value hedges

Changes in fair value of derivative financial instrument that are designated and qualify as fair value hedge is recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the SSS revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised or when it no longer qualifies for hedge accounting.

### **2.4** Cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 90 days or less and are subject to an insignificant risk of change in value.

### **2.5** Supplies and materials

Supplies and materials are valued at cost using the weighted average method.

### **2.6** Investment property

Investment property account consists of property held to earn rentals and/or for capital appreciation.

An investment property is initially measured at cost, including transaction costs. Such cost 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.

Transfers to or from investment property are made when there is a change in use, evidenced by:

- commencement of owner-occupation
- end of owner-occupation
- commencement of an operating lease to another party

### **2.7** 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.

Cost includes all costs necessary to bring the asset to working condition for its intended use. This would include not only its original purchase price but also costs of site preparation, delivery and handling, installation, related professional fees for architects and

engineers, and the estimated cost of dismantling and removing the asset and restoring the site.

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. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as 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 lives of each part of an item of property and equipment.

The estimated useful lives of property and equipment are as follows:

Assets	Life
Building/building improvements	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)

Building and building improvements have residual value equivalent to ten per cent of the acquisition/appraised value while other items of property and equipment except land have one peso as their residual value.

Construction in progress (CIP) represents building and building/leasehold improvements under construction and is stated at cost. CIP is not depreciated until such time as the relevant assets are completed and put into operational use.

## 2.8 Intangible assets

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 lives, 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.

## 2.9 Non-current assets held for sale

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 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.

Non-current assets held for sale include 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.

## 2.10 Impairment of non-financial assets

The carrying amount of non-financial assets, other than investment property and non current assets held for sale is assessed to determine whether there is any indication of impairment or 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 charge for future periods is 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.

## 2.11 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. Member's contribution

Revenue is recognized upon collection.

### b. Interest income

Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

### 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.

## 2.12 Expense recognition

Expenses are recognized in the statement of comprehensive income upon utilization of the service or at the date they are incurred.

## 2.13 Operating Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### a. SSS as lessee

Leases which do not transfer to the SSS substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense on a straight-line basis over the lease term.

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.

### 3. CASH AND CASH EQUIVALENTS

	2012	2011
Cash on hand and in bank	1,959,334,531	1,694,008,860
Time and special savings deposits	14,192,000,000	13,567,256,116
	<b>16,151,334,531</b>	<b>15,261,264,976</b>

Cash in banks earn interest at the respective bank deposit rates. Time and special savings deposits 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.

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 in a non-drawing interest bearing current account/savings account (CASA) with each of the banks' servicing branches. As at 31 December 2012, P95 million is being maintained in several banks for such purpose.

### 4. HELD-TO-MATURITY INVESTMENTS

	2012	2011
Short-term money placements	731,066,508	1,111,085,699
	<b>731,066,508</b>	<b>1,111,085,699</b>

Short-term money placements are short-term investments with original maturities of more than 90 days.

### 5. HELD-FOR-TRADING FINANCIAL ASSETS

The cost of held-for-trading financial assets as at 31 December 2012 and 2011 are P1,030.38 million and P2,316.29 million, respectively.

### 6. RECEIVABLES

	2012	2011
Collecting banks/agents/bayad center	3,210,368,103	2,852,568,315
Interest receivable	3,020,947,729	2,761,790,363
Other receivables	704,221,596	808,737,120
	<b>6,935,537,428</b>	<b>6,423,095,798</b>

### 7. OTHER CURRENT ASSETS

	2012	2011
Supplies and materials inventory	104,266,659	115,911,742
Advances-officials and employees	5,340,565	6,609,821
Revolving fund	1,503,864	968,658
Prepaid expenses	61,544	5,311,990
	<b>111,172,632</b>	<b>128,802,211</b>

### 8. FINANCIAL ASSETS

	2012	2011
Available-for-sale financial assets	93,688,818,005	85,716,916,981
Held-to-maturity investments		
Notes and bonds	152,392,155,544	125,069,677,575
Accumulated impairment loss	-	(809,701,706)
	152,392,155,544	124,259,975,869
Loans and receivable-Member loans	54,096,597,374	45,026,434,193
Accumulated impairment loss	(3,667,666,449)	(1,796,877,622)
	50,428,930,925	43,229,556,571
Loan to National Home Mortgage Finance Corporation	12,003,686,624	13,157,132,170
Accumulated impairment loss	(625,868,801)	(135,729,683)

	11,377,817,823	13,021,402,487
Housing loans	4,362,122,571	4,500,887,509
Accumulated impairment loss	(636,449,941)	(636,449,941)
	3,725,672,630	3,864,437,568
Commercial and industrial loans	595,137,237	521,319,890
Accumulated depreciation	(64,268,227)	(64,268,227)
	530,869,010	457,051,663
Program MADE	17,219,220	17,219,220
Accumulated impairment loss	(17,219,219)	(17,219,219)
	1	1
Loan to government agencies	81,317,325	96,520,608
Sales contract receivable	699,578,723	2,743,033,246
	<b>312,925,169,986</b>	<b>273,388,894,994</b>

The carrying amount of available-for-sale financial assets is as follows:

	2012	2011
Marketable securities		
Cost	64,511,490,491	57,695,035,546
Unrealized gain	27,605,424,791	27,536,562,130
	92,116,915,282	85,231,597,676
Ordinary and preference shares		
Cost	1,207,672,987	1,208,931,785
Accumulated impairment loss	(723,612,480)	(723,612,480)
	484,060,507	485,319,305
Corporate notes		
Cost	1,928,259,985	-
Accumulated impairment loss	(840,417,769)	-
	1,087,842,216	-
	<b>93,688,818,005</b>	<b>85,716,916,981</b>

The current portion of held-to-maturity government notes and bonds as at December 31, 2012 and 2011 are P2.46 billion and P2.80 billion, respectively.

In July 2011, the SSS participated in the Republic of the Philippines' Domestic Debt Consolidation Program (Bond Swap) 2011, wherein eligible bonds offered for exchange have been accepted/cancelled and replaced by new Benchmark Bonds. No Day 1 profit or loss has been recognized. Any unrealized gains or losses have been amortized over the term of the new Benchmark Bonds.

On November 28, 2011, the SSS entered into a USD/PHP Range Forward (Cash-Settled) with Metropolitan Bank and Trust Company to mitigate its foreign exchange risk on USD denominated portfolio (with notional amount of USD10 million). On December 28, 2011 (expiry date), upon determination of the fixing rate, either party incurred no obligation.

On April 30, 2012, the SSC under Resolution No. 323-s.2012 approved the Educational Assistance Loan Program to grant affordable educational cash loans to qualified members. The amount of the loan shall be funded on a 50:50 basis from the National Government and SSS.

In 2012, impairment provision amounting to P1.87 billion was recognized for five years and above delinquent member loan accounts in view of increasing level of delinquencies inspite of the implemented condonation programs. Further, additional impairment loss of P490.14 million and P30.72 million for loan to National Home Mortgage Finance Corporation and Home Guaranty Corporation (HGC)-Guaranteed Asset Participation Certificates, respectively were also booked.

## 9. INVESTMENT PROPERTY

	Land	Building	Development Cost	Total
Fair value, 1 January 2012	8,547,210,260	3,793,647,629	9,685,838	12,350,543,727
Additions	-	-	2,104,295	2,104,295
Transfer	707,630,000	-	-	707,630,000
Disposals	-	(32,107,370)	-	(32,107,370)
Fair value gain	1,056,914,615	137,508,307	-	1,194,422,922
<b>Fair value, December 31, 2012</b>	<b>10,311,754,875</b>	<b>3,899,048,566</b>	<b>11,790,133</b>	<b>14,222,593,574</b>
<b>Fair value, December 31, 2011</b>	<b>8,547,210,260</b>	<b>3,793,647,629</b>	<b>9,685,838</b>	<b>12,350,543,727</b>

The costs of investment property as at 31 December 2012 and 2011 stood at P7.81 billion and P7.29 billion (restated), respectively.

The fair value of investment property is determined based on valuations performed by independent appraisers.

The following amounts are recognized in the statement of comprehensive income:

	2012	2011
Gain on fair value adjustment	1,194,422,922	395,366,953
Rental income	401,234,163	485,958,163
Penalty on rentals	14,764,928	3,098,633
Gain on sale/disposal	4,740,890	27,571,040
Direct operating expenses	(35,597,730)	(74,868,135)
	1,578,565,173	837,126,654

## 10. PROPERTY AND EQUIPMENT-NET

	Land, buildings and land/building/leasehold improvements	Furniture and equipment, transportation, equipment, computer, hardware and others	Construction in progress	Total
Gross carrying amount				
January 1, 2012	3,357,864,187	3,311,920,923	30,704,170	6,700,489,280
Additions (adjustments)	(4,764)	53,618,104	3,024,237	56,637,577
Net revaluation increase	259,574,226	-	-	259,574,226
Transfers	21,595,703	-	(21,595,703)	-
Retirement/disposals/cancellation	(2,818,255)	(207,759,525)	-	(210,577,780)
December 31, 2012	3,636,211,097	3,157,779,502	12,132,704	6,806,123,303
Accumulated depreciation/amortization				
January 1, 2012	716,375,781	2,708,902,089	-	3,425,277,870
Charge for the period	46,807,286	198,208,524	-	245,015,810
Retirement/disposals/cancellation	-	(210,037,817)	-	(210,037,817)
December 31, 2012	763,183,067	2,697,072,796	-	3,460,255,863
Accumulated impairment loss				
January 1, 2012	56,723,750	-	-	56,723,750
Impairment loss	81,621,824	-	-	81,621,824
Reversal of impairment loss	(341,639)	-	-	(341,639)
December 31, 2012	138,003,935	-	-	138,003,935
<b>Net book value, December 31, 2012</b>	<b>2,735,024,095</b>	<b>460,706,706</b>	<b>12,132,704</b>	<b>3,207,863,505</b>
<b>Net book value, December 31, 2011</b>	<b>2,584,764,656</b>	<b>603,018,834</b>	<b>30,704,170</b>	<b>3,218,487,660</b>

Land, buildings and building improvements were last revalued in December 2012 by independent valuers. Valuations were made on the basis of market value.

If land, buildings and building improvements were stated on the historical cost basis, the carrying amount would be as follows:

	2012	2011
<b>Cost</b>	1,739,517,095	1,734,987,735
<b>Accumulated depreciation</b>	(629,571,745)	(590,007,838)
	1,109,945,350	1,144,979,897

Rental income-operating assets amounting to P12.59 million and P13.21 million for the years ended December 31, 2012 and 2011, respectively were included in the statement of comprehensive income.

## 11. INTANGIBLE ASSETS-NET

	Licences	Software	Total
Cost			
January 1, 2012	222,484,552	288,263,087	510,747,639
Additions	-	20,641,184	20,641,184
Retirement/disposals/cancellation	(9,019,203)	(67,590,365)	(76,609,568)
December 31, 2012	213,465,349	241,313,906	454,779,254
Accumulated amortization			
January 1, 2012	77,960,725	89,693,023	167,653,748
Amortization charge for the period	27,345,011	29,011,520	56,356,531
Retirement/disposals/cancellation	(8,117,322)	(2,044,307)	(10,161,629)
December 31, 2012	97,188,414	116,660,236	213,848,650
Accumulated impairment loss			
January 1, 2012	76,301,127	44,946,400	121,247,527
Retirement/disposals/cancellation	(472,900)	(44,906,400)	(45,379,300)
December 31, 2012	75,828,227	40,000	75,868,227
<b>Net book value, December 31, 2012</b>	<b>40,448,708</b>	<b>124,613,669</b>	<b>165,062,377</b>
<b>Net book value, December 31, 2011</b>	<b>68,222,700</b>	<b>153,623,664</b>	<b>221,846,364</b>

The carrying amount of intangible assets with indefinite lives as at December 31, 2012 amounted to P36.26 million.

## 12. NON-CURRENT ASSETS HELD FOR SALE

	Land	Building	Acquired assets/ registered	Total
Carrying amount, January 1, 2012	5,349,260,334	158,902,621	274,549,009	5,782,711,964
Accumulated impairment loss	(66,121,946)	(8,274,429)	(3,260,906)	(77,657,281)
Net carrying amount, January 1, 2012	5,283,138,388	150,628,192	271,288,103	5,705,054,683
Additions	-	-	136,657,021	136,657,021
Transfer	(707,630,000)	-	-	(707,630,000)
Disposals	(5,941,987)	-	(31,089,525)	(37,031,512)
Impairment (loss)/recovery	60,176,305	(20,430,500)	(1,535,152)	38,210,653
<b>Carrying amount, December 31, 2012</b>	<b>4,629,742,706</b>	<b>130,197,692</b>	<b>375,320,447</b>	<b>5,135,260,845</b>
<b>Carrying amount, December 31, 2011</b>	<b>5,283,138,388</b>	<b>150,628,192</b>	<b>271,288,103</b>	<b>5,705,054,683</b>

## 13. OTHER NON-CURRENT ASSETS

	2012	2011
Receivable-collecting banks	97,009,466	97,009,466
Accumulated impairment loss	(97,009,466)	(97,009,466)
	-	-
Interest receivable proceedings	12,719,246,368	12,723,297,007
Accumulated impairment loss	(12,707,637,955)	(12,707,637,955)
	11,608,413	15,659,052
Advances-fire/MRI/foreclosure proceedings/RPT	165,818,730	184,045,370
Accumulated impairment loss	(332,318)	(332,318)
	165,486,412	183,713,052
Others	921,261,638	932,036,418
Accumulated impairment loss	(516,149,501)	(516,149,501)
	405,112,137	415,886,917
	<b>582,206,962</b>	<b>615,259,021</b>

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 P120.44 million and P12.59 billion, respectively.

The non-current interest receivable from loan to NHMFC represents portion of the total restructured loan amount that SSS and NHMFC have allocated to unpaid interest and penalty as at cut-off date, March 31, 2002, payment of which shall be sourced from the residuals of the cash flows of the remaining accounts upon full payment of low, moderate and high delinquency outstanding obligations.

## 14. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2012	2011
Accounts payable	2,076,453,642	1,599,945,135
Accrued expenses	1,444,523,381	1,191,594,234
	<b>3,520,977,023</b>	<b>2,791,539,369</b>

## 15. FUNDS HELD IN TRUST

This account includes among others bidders' deposits, withholding taxes and retention withheld from suppliers and creditors to answer for defective deliveries or services, contributions to GSIS, PHIC, HDMF and SSS Provident Fund and equity of Flexi-fund members.

Breakdown as follows:

	2012	2011
Borrowers and other payors	221,079,792	132,620,503
Officials and employees	208,218,951	129,963,730
Unified multi-purpose ID fund	177,588,067	-
Suppliers and creditors	81,954,813	62,042,791
Due to other government units	23,576,249	24,276,833
Dividend - stock investment loan program	15,501,904	15,501,904
Educational loan fund – DECS	1,704,220	1,588,761
Flexi-Fund	-	304,295,602
	<b>729,623,996</b>	<b>670,290,124</b>

The Flexi-Fund represents equities of members under the voluntary supplementary benefits program of the SSS for Overseas Filipino Workers and authorized under Section 4.a.2 of the SS Law. The SSC, in its Resolution No. 288 dated April 18, 2001, approved the establishment of this supplementary benefits program.

On May 23, 2012, the SSC, under its Resolution No. 435-s.2012, has approved the grant of annual incentive benefits to qualified Flexi-fund members, which shall be computed as the individual share to net interest income earned on Flexi-Fund investments. The enhancement necessitated the creation of a separate fund and consequently the reclassification of funds held in-trust-Flexi-fund to equity to monitor and account the actual performance of the Flexi-fund which was previously co-mingled with the SSS fund.

The unified multi-purpose ID (UMID) fund represents amount provided by the National Statistics Office (NSO), which will be used to pay all direct and indirect costs of the central verification and enrollment system for the UMID as well as all costs necessary and incidental thereto, including all expenses to be incurred related to the formulation, drafting recommendation and approval of the project implementation and information campaign plans.

## 16. DEFERRED INCOME

This account represents advance rental payments from tenants of SSS property.

## 17. OTHER CURRENT LIABILITIES

This account includes among others collections credited to the accounts pending receipt of collecting agencies' documents and actual distribution of collections and payments whose nature are not indicated by payors. Details are shown on the next page.

	2012	2011
Member loans (ML) collection	4,466,629,350	1,536,462,937
OFW collections	365,400,461	294,319,583
Undistributed collection	194,431,404	191,575,890
ML collection deducted from benefit payments	138,484,318	169,951,995
Real estate loans collection	27,039,591	42,500,041
Sales contract receivable	9,180,935	31,500,767
Rental receivable	998,042	1,123,664
Employees' housing loan program	510,767	524,027
Express Padala	96,654	96,654
	<b>5,202,771,522</b>	<b>2,268,055,558</b>

## 18. ACCRUED RETIREMENT BENEFITS

### 18.1 Retirement Benefits

Retirement benefits are available to qualified employees under any one of RA 1616, RA 660 and RA 8291.

### 18.2 Terminal leave benefits

This represents the 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.

### 18.3 Retirement incentive award

Employees with at least 20 years of creditable service are entitled to P2,000 for every year of service upon retirement.

The accrued retirement benefits of employees at December 31, 2012 and 2011 are as follows:

	2012	2011
Terminal leave pay	758,228,166	748,996,445
Retirement benefits/gratuity	650,285,324	663,768,594
Retirement incentive award	95,814,279	93,830,005
	<b>1,504,327,769</b>	<b>1,506,595,044</b>

## 19. RENT PAYABLE

This account represents future rent payments for lease contracts entered by the SSS for its various branches.

## 20. NON-CURRENT DEFERRED INCOME

This account represents unrealized gains or losses from SSS participation in the Republic of the Philippines' Domestic Debt Consolidation Program (Bond Swap) 2011.

## 21. RESERVES

### 21.1 Investment reserve fund (IRF)

All revenues of the 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 as are 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 under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would exercise in the conduct of an enterprise of a like character and with similar aims, subject to prescribed ceilings under Section 26 of the SS Law.

No portion of the IRF or income thereof shall accrue to the general fund of the National Government or to any of its agencies or instrumentalities, including government-owned or controlled corporations, except as may be allowed under the SS Law. 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: 40 per cent in private securities, 35 per cent in housing, 30 per cent in real estate related investments, 10 per cent in short and medium-term member loans, 30 per cent in government financial institutions and corporations, 30 per cent in infrastructure projects, 15 per cent in any particular industry and 7.5 per cent in foreign-currency denominated investments.

In its Resolution No. 402 s. 2007, the SSC, adopted the use of acquisition cost of shares of stock as the basis for computing the 30

per cent limit in equity investments, based on the opinion dated June 25, 2007 of the Legal and Adjudication Sector of COA.

## 21.2 Actuarial valuation of the reserve fund of the SSS

The SS Law requires the Actuary of the System to submit a valuation report every four 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. Taking into account the uncertainty of future events, economic assumptions on interest rates, inflation rates and salary wage increases, among others, are projected.

In the 1999 actuarial valuation, the Social Security Fund (SSF) was projected to last until 2015. Since then, parametric measures (e.g. increases in the contribution rate from 8.4 per cent to 9.4 per cent in March 2003 and to 10.4 per cent in January 2007, increase in the maximum salary base for contributions from P12,000 to P15,000 and the redefinition of Credited Years of Service) and operational developments (e.g. Telling System, more accounts officers, cost saving measures, improved investment portfolio and management, etc.) were implemented to strengthen the SSF.

The System's concerted efforts have resulted in improved actuarial soundness. Results of the 2003 actuarial valuation indicate an extension on the life of the fund by sixteen years, from 2015 to 2031.

An update of the 2003 actuarial valuation was later undertaken, to include the effect of the increase in the contribution rate to 10.4 per cent effective January 2007, and the grant of 10 per cent across-the-board increases in pension effective September 2006 and September 2007. This update showed that the actuarial life of the SSF has extended further to 2036.

The summary of results of the latest actuarial valuation (2007 valuation) as well as the previous 2003 valuation results, is presented in the table below. There are two columns under 2003 valuation: (1) the original results as published in the 2003 actuarial valuation report; and (2) the updated results that take into consideration the across-the-board pension increases in 2006 and 2007 and the contribution rate increase at the start of 2007.

### Actuarial Valuation - Comparison of Key Projection Results 2007 Valuation versus 2003 Valuation under the Baseline Scenario

	Key Projection Results	2003 Valuation		2007 Valuation
		Original*	Updated**	(Initial Results)
	Year Fund Will Last	2031	2036	2039
No Across-the-Board Increase in Pensions	Year Net Revenue Becomes Negative	2022	2026	2030

\* As Published in the 2003 actuarial valuation report

\*\* Updated results after the increase in contribution rate to 10.40 per cent in January 2007 and the ten per cent across-the-board pension increases in 2006 and 2007.

It can be seen from the table that the actuarial life of the SSF has improved further by eight years, from 2031 to 2039, compared to the original 2003 valuation, or by three years, from 2036 to 2039, if the updated 2003 valuation is considered.

Despite these improvements, the SSS, like most defined-benefit social security schemes, is faced with the reality of a less-than-ideal actuarial fund life, and a considerable level of unfunded liabilities (UL). The unfunded liability is the difference between the present value of future benefits and contributions. From the updated 2003 Valuation results, the unfunded liability was valued at P545.13 billion, which has then increased to P748.99 billion based on the 2007 Valuation results, and further increased to P1.08 trillion based on the 2011 update of the 2007 Valuation results.

This current UL and fund life situation 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. While pensions were increased 21 times since 1980 through across-the-board pension increases of up to 20 per cent and increases in the minimum pension amount through Republic Act No. 8282, and the MSC ceiling was increased 11 times, the contribution rate, on the other hand, was only increased twice during the same period, from 8.4 per cent to 9.4 per cent in 2003, then to 10.4 per cent in 2007.

Another factor which contributed to the UL and fund life issue is the compliance of members in the payment of contributions, which may possibly be affected by the nature of their employment or financial state

of their business, their lack of awareness on the benefit program, and the passive collection of their contributions. 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 continuously conducted which shall be the basis of recommendations for policy reforms. The recommendations mentioned in the 2007 Valuation include raising the contribution rate immediately to 11 per cent, improving contribution collection, initially raising the required contributing years to be entitled to retirement pension to 15 years, and raising the retirement age. 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.

## 21.3 Investments revaluation reserve

	2012	2011
Balance at beginning of year	27,536,562,130	27,406,102,250
Net gain arising on revaluation of available-for-sale financial assets	2,492,982,697	3,846,223,202
Cumulative (gain)/loss reclassified to profit or loss on sale/disposal of available-for-sale financial assets	(2,424,120,036)	(3,741,628,642)
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	-	25,865,320
	<b>27,605,424,791</b>	<b>27,536,562,130</b>

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

## 22. INVESTMENT AND OTHER INCOME

	2012	2011
<b>Investment Income</b>		
Income from current investments		
Held to maturity investments		
Interest income	173,491,393	224,523,581
Held-for-trading financial assets		
Gain on sale/disposal	301,104,655	379,222,272
Dividend income	18,212,354	51,796,228
Investment expense	(20,582,889)	(28,758,803)
Gain on fair value adjustment	(31,861,010)	181,012,084
	266,873,110	583,271,781
	440,364,503	807,795,362
Income from non-current investments		
Available-for-sale financial assets		
Gain on sale/disposal	11,862,569,984	8,142,212,785
Dividend income	3,334,545,966	3,966,202,634
Investment expense	(5,567,516)	(4,403,534)
Impairment loss	(30,716,063)	(165,140,119)
	15,160,832,371	11,938,871,766
Held to maturity investments		
Interest income	10,805,872,547	9,464,819,105
Gain on sale/disposal	1,273,294,458	9,345,552
Penalty on pre-payment/pre-termination	27,942,693	16,485,000
Penalty on overdue amortization	266	388
Investment expense	(380,282)	(578,542)
	12,106,729,682	9,490,071,453
Loans and receivable		
Interest income	4,507,070,377	4,120,575,226
Penalty on overdue amortization	1,748,660,991	1,868,319,461
Investment expense	(239,090)	(337,424)
Realized loss on foreclosure	(355,719)	-
Impairment loss	(2,360,927,945)	(52,838,998)
	3,894,208,614	5,935,718,265
Investment property	1,578,565,173	837,126,654
	33,180,700,343	29,009,583,500
<b>Other income</b>		
Interest income from cash in bank and cash equivalents	550,183,167	433,653,489
Service fee – salary loan	183,052,823	157,750,098
Directors' fee	85,923,818	49,386,884
Reversal of impairment loss/revaluation decrease	71,184,644	37,634,732
Non-current assets held for sale		
Rental income	46,653,308	46,954,646
Gain on sale/disposal	29,494,643	84,938,218
Related expense	(1,362,179)	(12,578,982)
Subsidy income from National Government	45,279,995	-
Impairment loss	(27,171,631)	(89,432,898)
Others – net	(273,361,860)	147,487,044
	709,876,728	855,793,231
<b>Total investment and other income</b>	<b>33,890,577,071</b>	<b>29,865,376,731</b>

## 23. 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.

## 24. PERSONAL SERVICES

	2012	2011
Salaries and wages	2,236,025,998	2,251,944,373
Mandatory contributions	1,194,275,253	1,202,491,828
Bonus and rice grant	792,410,049	524,828,071
Incentive award	574,933,752	785,379,907
Allowances	247,104,371	248,122,459
Terminal leave pay	151,797,045	172,460,081
Other personal services	130,061,968	245,235,513
	<b>5,326,608,436</b>	<b>5,430,462,232</b>

Provident fund (part of mandatory contributions) is a defined contribution plan made by both the SSS and its officers and employees. 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. However, effective January 28, 2005, retired and separated members have the option to retain part or all of his total equity in the fund for a maximum period of five years.

## 25. MAINTENANCE AND OTHER OPERATING EXPENSES

	2012	2011
Depreciation/amortization expense	301,372,342	299,415,562
Maintenance and repairs - building/leased offices	252,459,761	278,321,450
Light and water	205,138,444	187,262,359
Communication expenses	204,369,135	158,879,958
Maintenance and repairs - furniture and equipment	176,294,684	179,166,632
Office space rentals	146,362,007	131,208,427
Service bureau expenses	135,192,064	131,498,910
Supplies and materials	100,057,537	107,015,111
Impairment loss - operating assets	86,013,824	97,009,466
COA audit services	49,840,128	44,341,772
Maintenance and repairs - transportation equipment	27,538,329	28,579,485
Special project	23,561,679	24,705,225
Other operating expenses	691,454,281	424,435,864
	<b>2,399,654,215</b>	<b>2,091,840,221</b>

## 26. OPERATING LEASE COMMITMENTS

### 26.1 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.

### 26.2 SSS as lessor

The SSS leases out portion of its office space to various tenants under cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

## 27. FINANCIAL RISK MANAGEMENT

The SSC and SSS 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 comprehensive audit is being done by Internal Audit Services.

The main risk arising from the SSS' financial instruments are interest rate risk, credit risk, liquidity risk, market price risk and foreign exchange risk. The SSC and SSS management review and agree on the policies for managing these risks as summarized below.

### 27.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The SSS strictly adheres to the provisions of Section 26 of the SS Law which states that the funds invested in various corporate notes/bonds, loan exposures and other financial instruments shall earn an annual income not less than the average rates of treasury bills or any acceptable market yield indicator. Currently, the SSS has achieved a mix of financial investments with interest rates that are within acceptable level. Significant investments in said instruments have fixed interest rates while repricing rates of investments in corporate notes/bonds that carry floating interest rates are always based on acceptable yield (i.e. prevailing three months Philippine Dealing System Transaction- Fixing Rate plus a spread of not less than 0.50 per cent).

### 27.2 Credit risk

Credit risk is the risk of suffering financial loss should any of the SSS' counterparties fail to fulfill its contractual obligations to the SSS. This includes risk of non-payment by issuers and borrowers, failed settlement of transactions and default on outstanding contracts.

The SSS implements structured and standardized evaluation guidelines, credit ratings and approval processes. Investments undergo technical evaluation to determine their viability/acceptability. Due diligence process (i.e. 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 (e.g. CIBI Information, Inc., banks and other institutions) are used to determine if counterparties are credit-worthy.

With respect to stockbrokers, the SSS has adopted the following mitigating measures:

#### a. Minimum requirements for stockbroker evaluation

- a.1 Stockbroker is a Member of Good Standing of the Exchange as defined under Rule 3(g) of the Securities Regulation Code.
- a.2 The stockbroker shall have a minimum capitalization of fifteen million pesos.
- a.3 The stockbroker shall be profitable for three of the last five years of operation. However, stockbrokers not able to meet the profitability requirement may be qualified provided that capitalization is at least thirty million pesos for those with losses.
- a.4 The stockbroker shall have a positive track record of service to other institutional clients.

#### b. Stockbroker transactions, allocations and limits

- b.1 Total daily transactions, excluding block transactions, per stockbroker shall not exceed 50 per cent of stockbroker capitalization/stockholder's equity, whichever is lower.
- b.2 Total transactions, excluding negotiated block transactions, for each of the accredited stockbrokers, during the accreditation period, shall not exceed 15 per cent of total SSS transactions.
- b.3 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 the stockbroker does not rely heavily on SSS for its business.

To avoid significant concentrations of exposures to specific industries or group of issuers and borrowers, SSS investments are regularly monitored so that in no time shall they exceed the prescribed cumulative ceilings specified in Section 26 of the SS Law.

The following table shows the latest aging analysis of some financial assets:

	2012								
	Neither past due nor impaired	Past due but not impaired (Age in months)							Total
		3-12	13-36	37-48	49-60	Over 60	Expired	Impaired	
(In Millions)									
Held for trading financial assets	2,638	-	-	-	-	-	-	-	2,638
Available-for-sale financial assets	93,689	-	-	-	-	-	-	1,564	95,253
Held-to-maturity investments:									
Short-term money placements	731	-	-	-	-	-	-	-	731
Corporate notes and bonds	14,201	-	-	-	-	-	-	-	14,201
Government notes and bonds	138,191	-	-	-	-	-	-	-	138,191
Loans and receivables:									
National Home Mortgage Finance Corporation	11,378	-	-	-	-	-	-	626	12,004
Commercial and industrial loans	516	1	4	-	-	4	6	64	595
Program MADE	-	-	-	-	-	-	-	17	17
Other government agencies	81	-	-	-	-	-	-	-	81
Employee housing loan program	489	4	1	-	-	2	-	2	498
	<b>261,914</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>2,273</b>	<b>264,209</b>

	2011 (Restated)								
	Neither past due nor impaired	Past due but not impaired (Age in months)							Total
		3-12	13-36	37-48	49-60	Over 60	Expired	Impaired	
(In Millions)									
Held for trading financial assets	3,956	-	-	-	-	-	-	-	3,956
Available-for-sale financial assets	85,717	-	-	-	-	-	-	724	86,441
Held-to-maturity investments:									
Short-term money placements	1,111	-	-	-	-	-	-	-	1,111
Corporate notes and bonds	11,663	-	-	-	-	-	-	810	12,473
Government notes and bonds	112,597	-	-	-	-	-	-	-	112,597
Loans and receivables:									
National Home Mortgage Finance Corporation	13,021	-	-	-	-	-	-	136	13,157
Commercial and industrial loans	439	4	-	-	-	8	6	64	521
Program MADE	-	-	-	-	-	-	-	17	17
Other government agencies	97	-	-	-	-	-	-	-	97
Sales Contract receivable									
Available-for-sale financial assets	1,999	-	-	-	-	-	-	-	1,999
Employee housing loan program	466	1	-	-	-	-	-	5	472
	<b>231,066</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>6</b>	<b>1,756</b>	<b>232,841</b>

### 27.3 Liquidity risk

Liquidity risk arises from the possibility that the SSS may encounter difficulties in raising funds to meet its payment obligations (i.e. payment of benefits, working capital requirements and planned capital expenditures) when they fall due. The 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 sufficient portfolio of highly marketable assets that can easily be liquidated as protection against unforeseen interruption to cash flow.

### 27.4 Market price risk

The SSS' market price risk arises from its investments carried at fair value (fair value through profit or loss and available-for-sale financial assets). It manages this risk by monitoring the changes in the market price of the investments.

### 27.5 Foreign exchange risk

The SSS undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate transactions are managed within approved policy parameters which include utilizing derivative financial instrument for risk mitigation.

## 28. OTHER MATTERS

### 28.1 Commitments

Amount authorized but not yet disbursed for capital expenditures as at December 31, 2012 is approximately P701.00 million.

### 28.2 Tax compliance

The amount of taxes withheld for the year 2012 amounted to P856,728,191, as follows:

Income taxes withheld on compensation	706,944,608
Value added tax	80,983,597
Expanded withholding tax	68,759,986
Final tax	40,000
	<b>856,728,191</b>

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 should be remitted on or before the 20th day of January of the following year. On the other hand, value added taxes and final income taxes withheld are remitted on or before the 10th day of the following month. Of the total taxes withheld by SSS, P747,597,114 (net of P5,062,634 adjustment) was remitted to the Bureau of Internal Revenue (BIR) in 2012, while the balance of P104,068,443 was remitted in 2013.



# INTERNAL AUDITOR'S REPORT

Internal audit projects in 2012 once again focused on areas that presented the greatest possible risks to the Social Security System (SSS), albeit the past year was largely a balancing act of priorities.

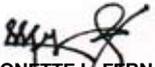
Conducting management and operations audit of a very dynamic institution like the SSS posed a great challenge to the Internal Audit Service (IAS) considering the factors affecting attainment of its mission, such as limited human resources, among others. However, this limitation was overshadowed by the tremendous support that IAS received from an active Audit Committee, which stressed the need to immediately implement audit recommendations that are feasible and to orchestrate a plan to implement those that would require resources to execute.

Based on a completed audit in 2012, hereunder are the significant observations:

1. The SSS tellering branches perform more than collection functions. More than conveniently allowing SSS members to pay directly their contributions and loans, the tellering branches also showcase the prompt and courteous service provided by honest and hardworking employees. The continuing audit of tellering facilities has resulted in important reforms that ensure the safety and security of collections, as well as improved service to the transacting public. We take this as a very positive sign that the IAS and Management are on the same page as far as the safeguarding of funds and improving quality of service in the branches are concerned. Regular but unannounced cash counts conducted reaffirm the trustworthiness of tellering personnel. However, IAS believes that SSS tellering service can be further enhanced by adopting the best practices of commercial banks in terms of procedures in collection, as well as the security features and ideal layout of tellering booth.
2. Implementation and management of construction projects is not a core function of the SSS. Due to the inevitable expansion, it has become a necessary and major responsibility of several units/departments in SSS to handle construction projects. Through a series of review of the processes involved in infrastructure projects of SSS, gaps and deficiencies were identified. The IAS strongly recommended to Management the development of a Manual of Policies and Procedures (MOPP) for the following activities: Procurement of Infrastructure Projects; Construction Management; and Renovation of Leased Offices. The MOPP is expected to identify the person/unit responsible for specific activities and to eliminate overlap in functions, thereby resulting to better and more effective performance of the various players.
3. The Accounts Monitoring System (AMS) must be better utilized. Two years ago, the IAS lauded the launch of the AMS to facilitate management of employers' contributions delinquency. We were well aware that such an automated system is more efficient and 99% more accurate in determining the correct delinquency amount as compared to the manual system used by the branches. In this vein, we strongly reiterate our earlier recommendation to utilize fully this facility for better monitoring of employers' accounts, which may result in the effective collection and reduction of delinquent accounts.

In 2013, IAS will venture into projects that include: 1) the Housing Loan Acquired Asset Management System; 2) the Automated Records Management System; 3) the Annual Confirmation of Pensioners; 4) the New Automated Telling System; and 5) Procurement with an Approved Budget Cost (ABC) of above Five Million Pesos, among others.

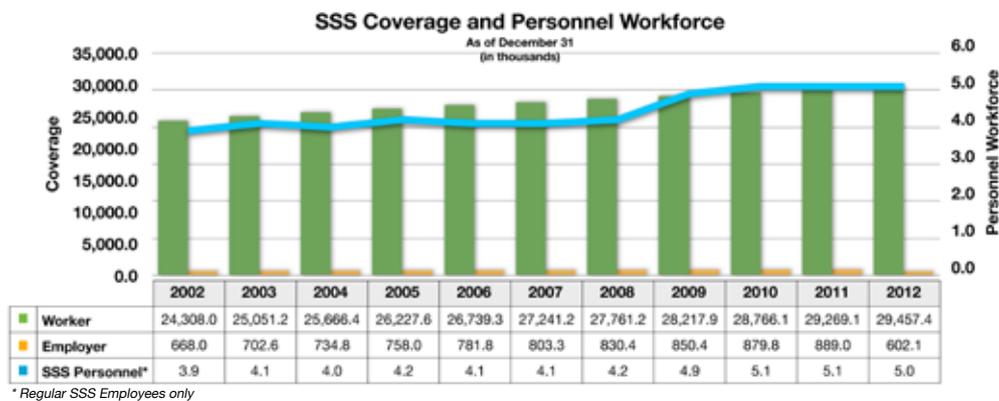
Consistent with our vision – to function as an efficient, effective, competent and empowered partner of Management – auditors are continuously provided with trainings aimed at improving their audit skills and enhancing their capabilities to perform their functions. However, it is strongly recommended that specific action should be done to inspire and motivate auditors, particularly those with decades of audit experience, to remain with IAS, instead of looking for greener pastures beyond the SSS.



**ANTONETTE L. FERNANDEZ**  
Assistant Vice President

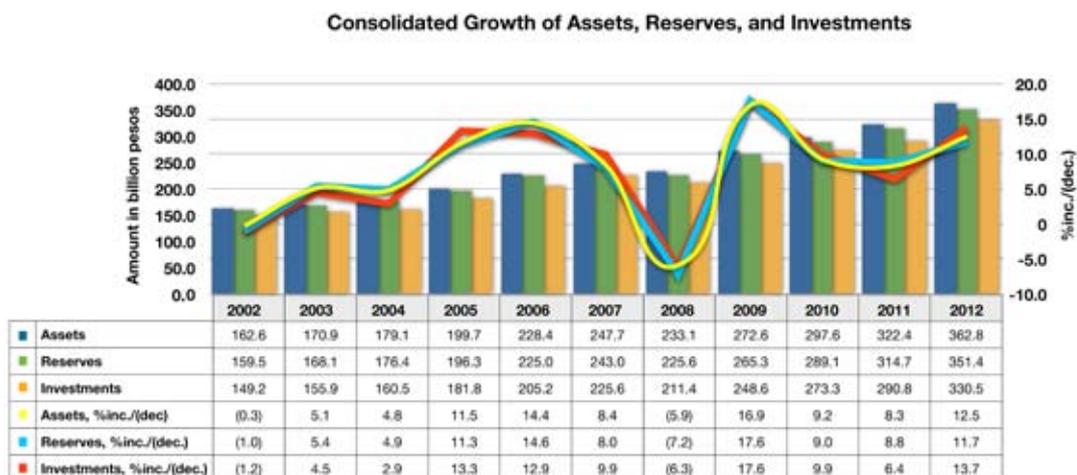
## SSS Coverage and Personnel Workforce

SSS Coverage and Personnel Workforce As of December 31 (in thousands)			
Year	Worker	Employer	SSS Personnel
2008	27,761.2	830.4	4.2
2009	28,217.9	850.4	4.9
2010	28,766.1	879.8	5.1
2011	29,269.1	889.0	5.1
2012	29,457.4	602.1	5.0



## Consolidated Growth of Assets, Reserves and Investments

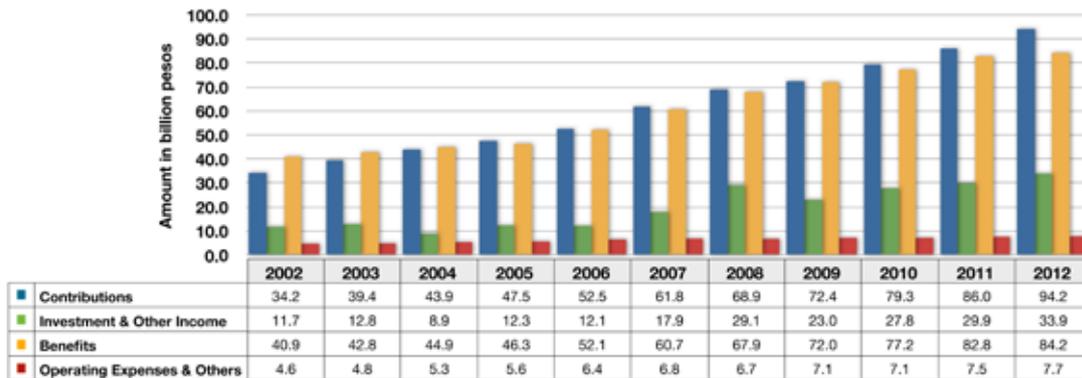
Consolidated Growth of Assets, Reserves and Investments Amount in Billion Pesos						
Year	Assets	Assets %inc./(dec.)	Reserves	Reserves %inc./(dec.)	Investments	Investments %inc./(dec.)
2008	233.1	(5.9)	225.6	(7.2)	211.4	(6.3)
2009	272.6	16.9	265.3	17.6	248.6	17.6
2010	297.6	9.2	289.1	9.0	273.3	9.9
2011	322.4	8.3	314.7	8.8	290.8	6.4
2012	362.8	12.5	351.4	11.7	330.5	13.7



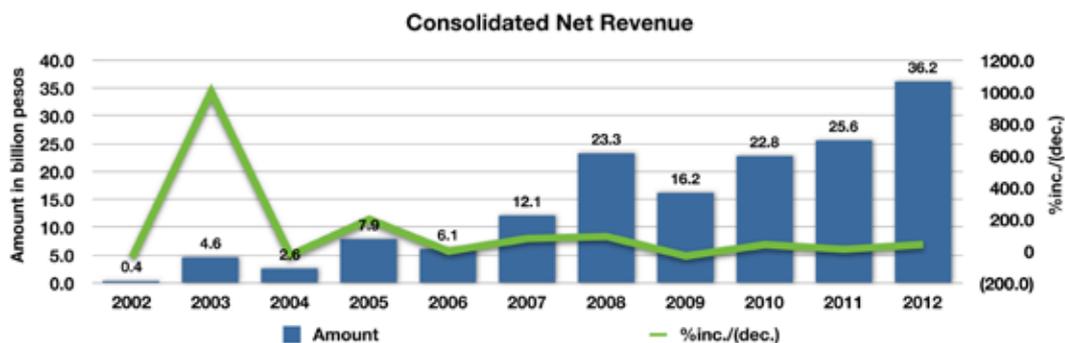
## Consolidated Progress of Operations

Consolidated Contributions, Investment & Other Income, Benefits and Operating Expenses & Others				
Amount in Billion Pesos				
Year	Contributions	Investment & Other Income	Benefits	Operating Expenses & Others
2008	68.9	29.1	67.9	6.7
2009	72.4	23.0	72.0	7.1
2010	79.3	27.8	77.2	7.1
2011	86.0	29.9	82.8	7.5
2012	94.2	33.9	84.2	7.7

Consolidated Contributions, Investments & Other Income, Benefits, and Operating Expenses & Others

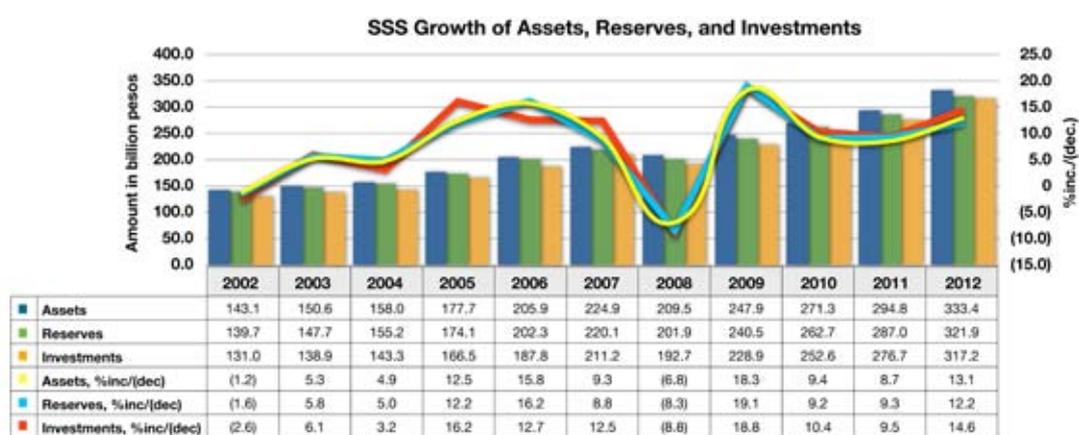


Consolidated Net Revenue		
Amount in Billion Pesos		
Year	Amount	%inc./(dec)
2008	23.3	92.1
2009	16.2	(30.4)
2010	22.8	40.8
2011	25.6	11.9
2012	36.2	41.7



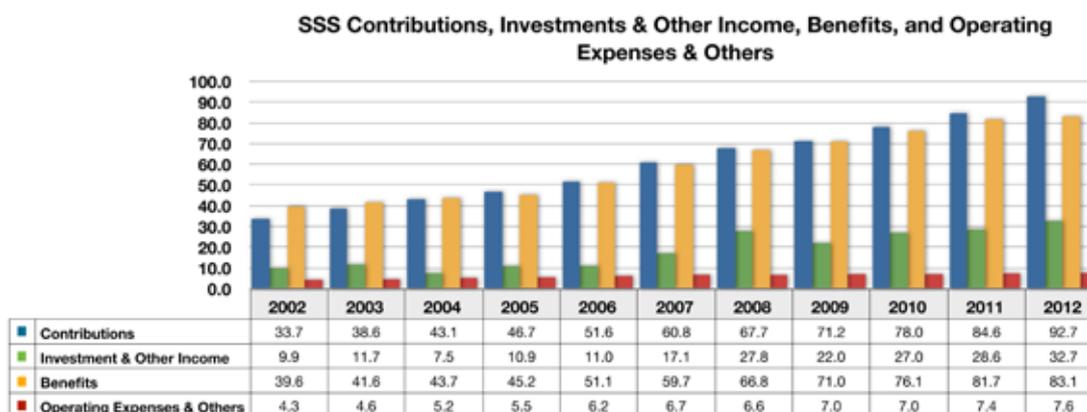
## SSS Growth of Assets, Reserves and Investments

SSS Growth of Assets, Reserves and Investments Amount in Billion Pesos						
Year	Assets	Assets %inc./(dec.)	Reserves	Reserves %inc./(dec.)	Investments	Investments %inc./(dec.)
2008	209.5	(6.8)	201.9	(8.3)	192.7	(8.8)
2009	247.9	18.3	240.5	19.1	228.9	18.8
2010	271.3	9.4	262.7	9.2	252.6	10.4
2011	294.8	8.7	287.0	9.3	276.7	9.5
2012	333.4	13.1	321.9	12.2	317.2	14.6



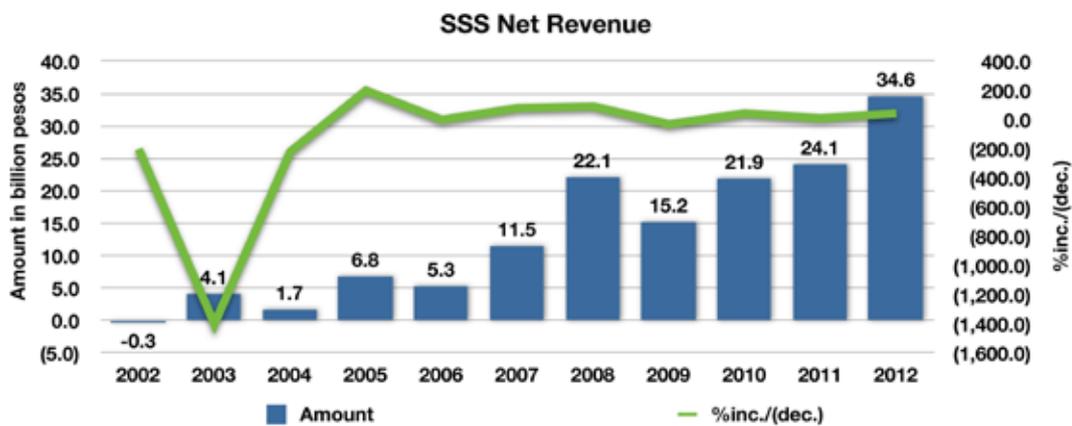
## SSS Progress of Operations

SSS Contributions, Investment & Other Income, Benefits and Operating Expenses & Others Amount in Billion Pesos				
Year	Contributions	Investment & Other Income	Benefits	Operating Expenses & Others
2008	67.7	27.8	66.8	6.6
2009	71.2	22.0	71.0	7.0
2010	78.0	27.0	76.1	7.0
2011	84.6	28.6	81.7	7.4
2012	92.7	32.7	83.1	7.6



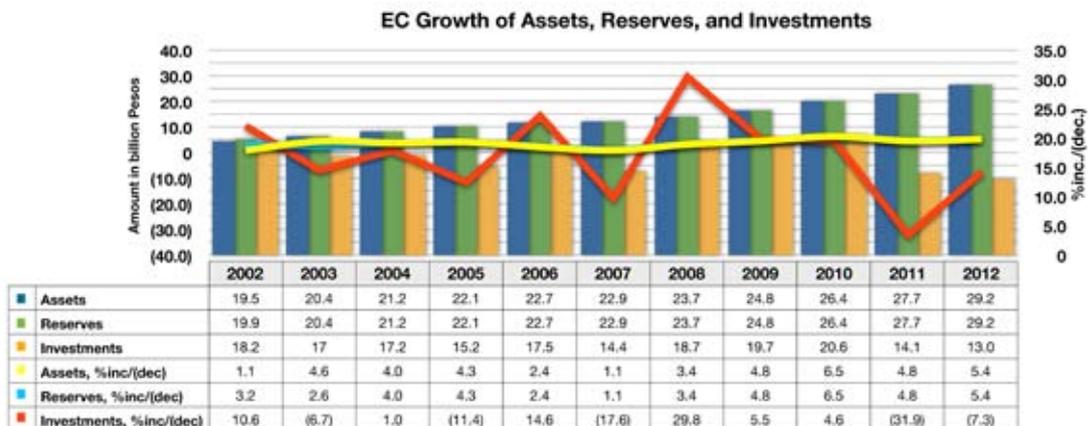
# HISTORICAL DATA

SSS Net Revenue Amount in Billion Pesos		
Year	Amount	%inc./(dec)
2008	22.1	91.4
2009	15.2	(31.0)
2010	21.9	43.7
2011	24.1	10.0
2012	34.6	43.9



## Employees' Compensation & State Insurance Fund Growth of Assets, Reserves and Investments

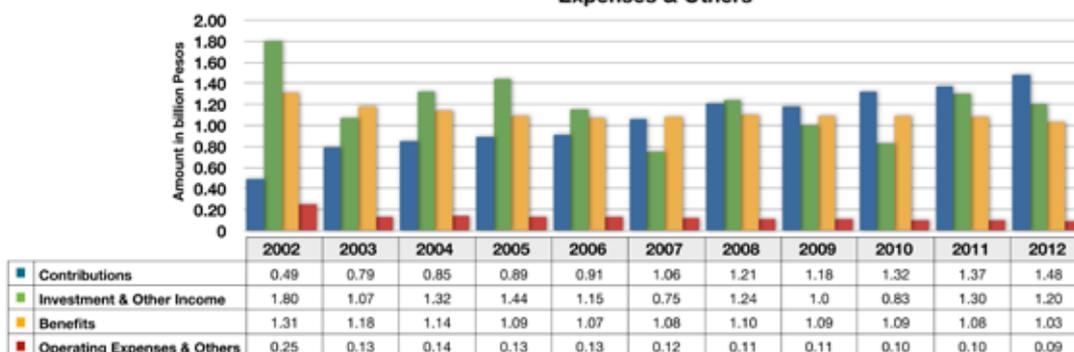
EC Growth of Assets, Reserves and Investments Amount in Billion Pesos						
Year	Assets	Assets %inc./(dec.)	Reserves	Reserves %inc./(dec.)	Investments	Investments %inc./(dec.)
2008	23.7	3.4	23.7	3.4	18.7	29.8
2009	24.8	4.8	24.8	4.8	19.7	5.5
2010	26.4	6.5	26.4	6.5	20.6	4.6
2011	27.7	4.8	27.7	4.8	14.1	(31.9)
2012	29.2	5.4	29.2	5.4	13.0	(7.3)



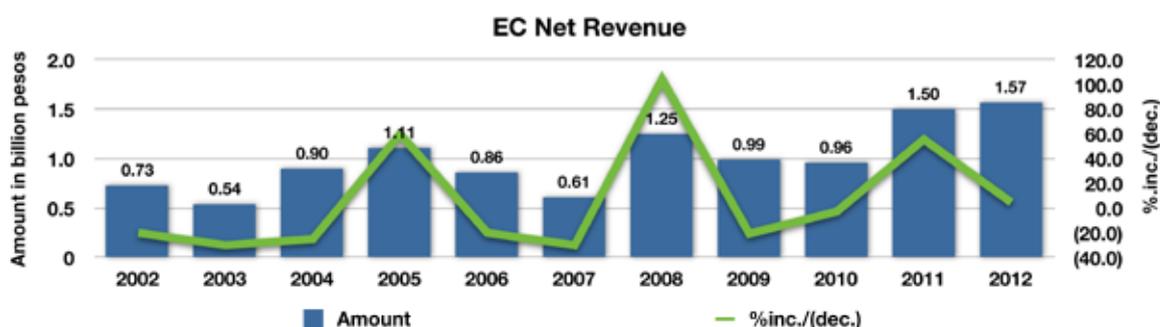
## Employees' Compensation & State Insurance Fund Progress of Operations

EC Contributions, Investment & Other Income, Benefits and Operating Expenses & Others Amount in Billion Pesos				
Year	Contributions	Investment & Other Income	Benefits	Operating Expenses & Others
2008	1.21	1.24	1.10	0.11
2009	1.18	1.00	1.09	0.11
2010	1.32	0.83	1.09	0.10
2011	1.37	1.30	1.08	0.10
2012	1.48	1.20	1.03	0.09

EC Contributions, Investments & Other Income, Benefits, and Operating Expenses & Others



EC Net Revenue Amount in Billion Pesos		
Year	Amount	%inc./(dec)
2008	1.25	104.4
2009	0.99	(20.6)
2010	0.96	(2.8)
2011	1.50	55.6
2012	1.57	4.7





# SOCIAL SECURITY COMMISSION

**JUAN B. SANTOS**  
CHAIRMAN



**ROSALINDA DIMAPILIS-BALDOZ**  
EX-OFFICIO MEMBER,  
SECRETARY OF LABOR & EMPLOYMENT



**EMILIO S. DE QUIROS, JR.**  
VICE CHAIRMAN

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A professional studio portrait of two men standing side-by-side against a light blue-grey background. Both men are wearing white, long-sleeved, button-down shirts with intricate embroidery on the chest and cuffs, and dark trousers. The man on the left has his arms crossed and is wearing a watch on his left wrist. The man on the right also has his arms crossed. The lighting is soft and even, highlighting the texture of their shirts.

**EMILIO S. DE QUIROS JR.**  
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**EDGAR B. SOLILAPSI**  
*EXECUTIVE VICE PRESIDENT*



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(left to right, back row) NICHOLAS C. BALBUENA, GWEN MARIE JUDY D. SAMONTINA,  
ANTONIO S. ARGABIOSO

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**SANTIAGO DIONISIO  
R. AGDEPPA**



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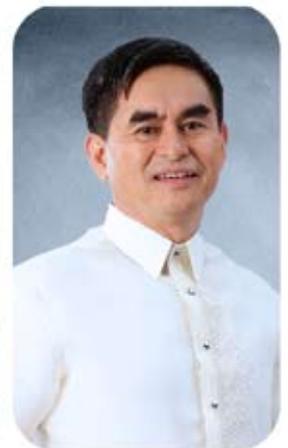
**MANOLITO C. TAGALOG**



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