

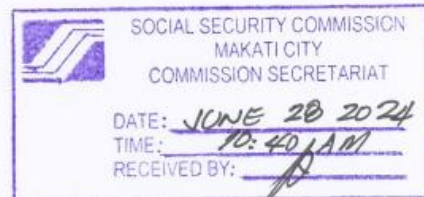


REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

**CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 2 – SOCIAL SECURITY**

June 28, 2024

The SOCIAL SECURITY COMMISSION
Social Security System
East Avenue, Quezon City



Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Social Security System (SSS) for the years ended December 31, 2023 and 2022.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor expressed an unmodified opinion on the fairness of presentation of the financial statements of the SSS for the years ended December 31, 2023 and 2022.

While the following audit observations impact on the balances of the accounts affected, taken together, they did not exceed the materiality level set for the CY 2023 audit of the accounts and transactions to warrant a modified opinion.

1. The existence of a balance of the Other Payable-Member Loans (OP-ML) Collections account amounting to P932.824 million as at December 31, 2023, which represents ML collections not yet posted to the member-borrowers' employee subsidiary ledger, resulted in the overstatement of the balances of Member Loans, Interest and Penalty Receivables-ML accounts, contrary to the fair presentation required under Paragraph 15 of Philippine Accounting Standards (PAS) 1.

We recommended that Management:

- a. Through the MLD and IAD, fast track the posting of the collections to the members' SLs and subsequent adjustment of the OP-ML Collections account by adopting appropriate mechanisms to regularly remind/notify the employers for the immediate submission of the pending LCLs and/or correct the invalid entries on the submitted LCLs; and

- b. Through the MLD and ISD III, fast track the clean-up of the SBRs with duplicate status and update/revise the SDR to ensure the accurate generation of the Reports of Unpostable.
2. The reliability of the reported balance of the Receivable–Collecting Banks (CBs)/Collecting Agents (CAs) account cannot be ascertained due to the: (a) variance of P1.091 billion between the book and confirmed bank/agent balances; (b) negative balances amounting to P111.046 million, thus, affecting the faithful representation of the Receivable - CBs/CAs and other related accounts such as Revenues-Members' Contribution (MC) and Receivables–Member and Housing Loans (MHL) as at December 31, 2023; (c) non-accrual of penalties on collections not yet remitted by CBs/CAs, contrary to the fair presentation required under paragraph 15 of PAS 1.

We recommended that Management:

- a. Through the GAD, thoroughly analyze and substantiate the historical transactions causing the variance between the books and confirmed balances, and long outstanding and/or erroneous debit and credit balances in the Receivable-CBs/CAs account and adjust the balances per books accordingly pursuant to PAS 1;
- b. Through the CMD, promptly notify the GAD of any settlements made by the CBs/CAs to aid in the timely recording thereof;
- c. Recognize receivable for the collections still with the collecting partners awaiting deposit/remittance to the SSS; and
- d. Recognize penalty receivable resulting from late/under remittance and unremitted collections from collecting partners.

The other significant audit observations and recommendations that need immediate action are as follows:

1. The inefficiency in collecting premium contributions from delinquent employers, with only P4.581 billion collected, merely 4.89 per cent of the established collectibles of P93.747 billion in CY 2023 despite the offering of installment payment scheme, deprives the SSS of much-needed funds for the timely delivery of social security protection, claims, and benefits, to its members and their beneficiaries.

We recommended that Management, through LEG, OLSDs I & II, Employer Delinquency and Monitoring Department (EDMD), AMG-LAD and BOs-AMS:

- a. Improve the collection efficiency on delinquent employers account in accordance with SSS Office Order No. 2023-038; and
 - b. Optimize collection efforts by strategically prioritizing delinquent employers with large accounts, while maintaining efforts across all account sizes.
2. A total of 7,653 unsettled dishonored checks amounting to P405.118 million as at December 31, 2023, resulted in the delay or non-realization of the collection of premium

contributions and members' loan repayments. Also considering that the eligible employees are still entitled to the SSS benefits notwithstanding the failure of their employers to remit deducted contributions, such delay adversely affects the cash inflow of SSS.

We reiterated with modification our prior years' recommendation that Management require continuous strict compliance with SSS OO No. 2016-027.

We recommended that Management:

- a. Require continuous strict compliance with SSS OO No. 2016-027;
- b. Through the ISD III, conduct enhancements on DCMS to ensure that all transactions involving check payments are captured including consolidation of reports; and
- c. Through the tellering facilities, with the coordination of the accredited collecting partners, to strictly implement the guidelines under Section F of SSS Circular No. 2023-007.

The other audit observations together with the recommended courses of action, which were discussed by the Audit Team with the concerned Management officials and staff during the exit conference conducted on May 13, 2024, are discussed in detail in Part II of the report.

In a letter of even date, we requested the PCEO of SSS to take appropriate actions on the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from the date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:


DIGNA CRESCENCIA G. FILLER
Officer-in-Charge

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned and Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

PHILIPPINES	
SOCIAL SECURITY SYSTEM	
Office of the President & CEO	
Date /Time Received :	6/28/24
176	

**CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 2 – SOCIAL SECURITY**

June 28, 2024

ROLANDO L. MACASAET
President and Chief Executive Officer
Social Security System
East Avenue, Quezon City

Dear **PCEO Macasaet**:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Social Security System (SSS) for the years ended December 31, 2023 and 2022.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor expressed an unmodified opinion on the fairness of presentation of the financial statements of the SSS for the years ended December 31, 2023 and 2022.

While the following audit observations impact on the balances of the accounts affected, taken together, they did not exceed the materiality level set for the CY 2023 audit of the accounts and transactions to warrant a modified opinion.

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We recommended that Management:

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We recommended that Management:

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The other significant audit observations and recommendations that need immediate action are as follows:

1. The inefficiency in collecting premium contributions from delinquent employers, with only P4.581 billion collected, merely 4.89 per cent of the established collectibles of P93.747 billion in CY 2023 despite the offering of installment payment scheme, deprives the SSS of much-needed funds for the timely delivery of social security protection, claims, and benefits, to its members and their beneficiaries.

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- a. Improve the collection efficiency on delinquent employers account in accordance with SSS Office Order No. 2023-038; and
 - b. Optimize collection efforts by strategically prioritizing delinquent employers with large accounts, while maintaining efforts across all account sizes.
2. A total of 7,653 unsettled dishonored checks amounting to P405.118 million as at December 31, 2023, resulted in the delay or non-realization of the collection of premium contributions and members' loan repayments. Also considering that the

eligible employees are still entitled to the SSS benefits notwithstanding the failure of their employers to remit deducted contributions, such delay adversely affects the cash inflow of SSS.

We reiterated with modification our prior years' recommendation that Management require continuous strict compliance with SSS OO No. 2016-027.

We recommended that Management:

- a. Require continuous strict compliance with SSS OO No. 2016-027;
- b. Through the ISD III, conduct enhancements on DCMS to ensure that all transactions involving check payments are captured including consolidation of reports; and
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The other audit observations together with the recommended courses of action, which were discussed by the Audit Team with the concerned Management officials and staff during the exit conference conducted on May 13, 2024, are discussed in detail in Part II of the report.

We respectfully request that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached as Annex A) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:


DIGNA CRESCENCIA G. FILLER
Officer-in-Charge

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned and Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library

AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2023 and Prior Years
As at

[illegible]

Agency sign-off:

Name and Position of Agency Officer	Date
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Note: Status of Implementation may either be a) Implemented (I); or b) Not Implemented (NI).



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

The SOCIAL SECURITY COMMISSION

Social Security System
East Avenue, Diliman, Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Social Security System (SSS), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the SSS as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the SSS in accordance with the Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 21 to the financial statements in relation to Note 23.1. In compliance with the policy directive of the National Government requiring government insurance institutions to adopt the PFRS 4 *Insurance Contracts* in CY 2020, Management recognized Insurance Contract Liability in the SSS's financial statements, which is the sum of the present value of future benefits and expenses, less the present value of future contributions discounted at the appropriate risk-free discount rate. There is a significant increase in liability as the SSS recognized the social benefit liability to its members. Management acknowledges that uncertainty remains over the ability of SSS to meet its funding requirements to pay its members' benefits and operational expenses. However, Management has a reasonable expectation that the SSS has adequate resources to continue in operational existence for the foreseeable future. Furthermore, under Republic Act (RA) No. 11199, otherwise known as the

Social Security Act of 2018, the Philippine Government guarantees that all the benefits prescribed in the RA shall not be diminished and it accepts general responsibility for the solvency of the System. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is included in the Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

In preparing the financial statements, management is responsible for assessing the SSS's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the SSS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the SSS's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 SSS's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SSS' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the SSS to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 40 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management of SSS and have been subjected to auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ELEONOR S. NAVARRO
 OIC-Supervising Auditor

May 13, 2024



Republic of the Philippines
SOCIAL SECURITY SYSTEM

East Ave., Diliman, Quezon City

Tel. Nos. (632) 920-6401 • (632) 920-6446

E-mail: member_relations@sss.gov.ph • Web site: <http://www.sss.gov.ph>

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of the Social Security System is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2023 and December 31, 2022 in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the financial statements, management is responsible for assessing the Social Security System's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Social Security System or to cease operations, or has no realistic alternative to do so.

The Social Security Commission is responsible for overseeing the Social Security System's financial reporting process.

The Social Security Commission reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders or members.


SEC. RALPH G. RECTO
Chairperson, Social Security Commission




ROLANDO LEDESMA MACASAET
President and CEO, Social Security System


Date: 13 MAY 2024 

SOCIAL SECURITY SYSTEM
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022
ASSETS			
Current assets			
Cash and Cash Equivalents	4	32,110,084,549	24,231,791,954
Financial Assets	5.1	110,941,112,335	84,673,420,653
Receivables	6	109,604,963,996	83,608,825,659
Inventories	7	71,425,426	67,352,599
Non-Current Assets Held for Sale	8	249,260,131	206,947,365
Other Current Assets	9	8,140,385,305	6,806,962,807
Total Current Assets		261,117,231,742	199,595,301,037
Non-current assets			
Financial Assets	5.2	470,322,124,019	411,681,502,096
Receivables	6	62,152,542,790	67,390,092,892
Investment Property	10	85,726,357,791	85,014,644,111
Property and Equipment-net	11	8,275,480,752	8,432,259,287
Intangible Assets-net	12	236,600,502	243,886,853
Right-of-Use Assets	13	541,338,479	705,714,379
Other Non-Current Assets	14	315,622,921	324,275,277
		627,570,067,254	573,792,374,895
TOTAL ASSETS		888,687,298,996	773,387,675,932
LIABILITIES AND EQUITY			
Current liabilities			
Financial Liabilities	15	2,499,530,807	3,702,901,825
Lease Payable	16	271,913,556	279,942,316
Inter-Agency Payables	17	288,080,929	786,563,456
Trust Liabilities	18	87,665,023,821	39,337,822,342
Deferred Credits/Unearned Income	19	138,223,984	70,998,359
Other Payables	22	1,291,776,035	554,206,941
		92,154,549,132	44,732,435,239
Non-current liabilities			
Lease Payable	16	352,262,566	514,914,778
Deferred Credits/Unearned Income	19	248,509,501	275,360,171
Provisions	20	2,506,895,783	1,383,127,160
Insurance Contract Liability	21	8,634,950,878,888	8,107,690,623,179
Other Payables	22	1,050,000,000	1,050,000,000
		8,639,108,546,738	8,110,914,025,288
TOTAL LIABILITIES		8,731,263,095,870	8,155,646,460,527
DEFICIT			
Reserve Fund	23.1	(7,808,652,374,190)	(7,362,775,569,903)
Unrealized Loss from Changes in Fair Value	23.2	(40,496,075,438)	(26,055,867,446)
Revaluation Surplus	23.3	6,572,652,754	6,572,652,754
TOTAL DEFICIT		(7,842,575,796,874)	(7,382,258,784,595)
TOTAL LIABILITIES AND DEFICIT		888,687,298,996	773,387,675,932

The Notes on pages 9 to 92 form part of these financial statements.

Certified true copy:

JEAN V. LAGRADA

Vice President
Financial and Budget Division

SOCIAL SECURITY SYSTEM**STATEMENTS OF COMPREHENSIVE INCOME**

For the Years Ended December 31, 2023 and 2022

(In Philippine Peso)

	Note	2023	2022
INCOME			
Service and Business Income	24	352,195,281,646	297,757,374,037
Assistance and Subsidy	25	335,687,839	336,132,254
Gains	26	27,905,615,195	23,186,855,307
Other Non-Operating Income	27	916,197,151	4,667,698,079
		381,352,781,831	325,948,059,677
EXPENSES			
Benefit Payments	28	259,033,158,723	242,813,873,615
Personnel Services	29	9,053,711,964	8,123,628,096
Maintenance and Other Operating Expenses	30	1,849,612,072	1,921,951,034
Financial Expenses	31	301,956,993	205,406,872
Non-Cash Expenses	32	27,982,998,201	20,285,360,482
		298,221,437,953	273,350,220,099
Net Income before Changes in Policy Reserves		83,131,343,878	52,597,839,578
Increase/Decrease Change in Policy Reserves	33	527,259,921,336	478,109,798,453
Net Loss		(444,128,577,458)	(425,511,958,875)
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Items that may be reclassified subsequently to Statements of Income</i>			
Realized Gain/(Loss) on Sale of Financial Assets at FVTOCI		4,459,663	35,561,689
<i>Items that will not be reclassified to Statements of Income</i>			
Changes in Fair Value of Financial Assets at FVTOCI		(14,440,207,992)	(16,888,192,927)
		(14,435,748,329)	(16,852,631,238)
TOTAL COMPREHENSIVE LOSS		(458,564,325,787)	(442,364,590,113)

The Notes on pages 9 to 92 form part of these financial statements.

Certified true copy:


JEAN V. LAGRADA
 Vice President
 Financial and Budget Division

SOCIAL SECURITY SYSTEM
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Reserve Fund (Note 23.1)	Revaluation Surplus (Note 23.3)	Cumulative Changes in Fair Value of Investments (Note 23.2)	TOTAL
BALANCE AT JANUARY 1, 2023	(7,362,775,569,903)	6,572,652,754	(26,055,867,446)	(7,382,258,784,595)
Add/(Deduct):				
Comprehensive Loss for the Period	(444,124,117,795)		(14,440,207,992)	(458,564,325,787)
Other Adjustments: Attribution to Other Funds				
SSS's Share in ECC & OSHC Corporate				
Operating Budget	(396,616,854)			(396,616,854)
Guaranteed Income/Annual Incentive Benefit	(308)			(308)
Adjustment on Premium Contribution Accrual	2,278,842,017			2,278,842,017
Payable to Flexi Fund	(34,305,476)			(34,305,476)
Payable to Peso Fund	(10,525,004)			(10,525,004)
Payable to Mandatory Provident Fund	(3,508,622,852)			(3,508,622,852)
Payable to New Voluntary Provident Fund	(81,458,015)			(81,458,015)
BALANCE AT DECEMBER 31, 2023	(7,808,652,374,190)	6,572,652,754	(40,496,075,438)	(7,842,575,796,874)
BALANCE AT JANUARY 1, 2022	(6,951,530,692,584)	6,572,652,754	(9,167,674,519)	(6,954,125,714,349)
Add/(Deduct):				
Comprehensive Loss for the Period	(425,476,397,186)		(16,888,192,927)	(442,364,590,113)
Other Adjustments: Attribution to Other Funds				
SSS's Share in ECC & OSHC Corporate				
Operating Budget	(348,565,226)			(348,565,226)
Guaranteed Income/Annual Incentive Benefit	(25,996,746)			(25,996,746)
Adjustment on Premium Contribution Accrual	15,392,866,549			15,392,866,549
Payable to Flexi Fund	(1,880,665)			(1,880,665)
Payable to Peso Fund	(7,633,081)			(7,633,081)
Payable to Mandatory Provident Fund	(775,935,706)			(775,935,706)
Payable to New Voluntary Provident Fund	(1,335,258)			(1,335,258)
BALANCE AT DECEMBER 31, 2022	(7,362,775,569,903)	6,572,652,754	(26,055,867,446)	(7,382,258,784,595)

The Notes on pages 9 to 92 form part of these financial statements.

Certified true copy:


JEAN V. LAGRADA
Vice President
Financial and Budget Division

SOCIAL SECURITY SYSTEM
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Members' Contributions		301,436,158,387	260,439,384,074
Investment and Other Income		41,164,433,200	35,445,775,365
Receipt of Flexi, PESO and WISP Funds Contribution/Income		42,538,247,333	21,807,136,601
Trust Receipts/Mandatory Deductions		4,111,658,255	6,524,076,094
Subsidy and Donations Received		335,687,839	336,132,254
Other Collections		97,841,638	46,628,766
Total Cash Inflows		389,684,026,652	324,599,133,154
Cash Outflows			
Benefits Payments		260,577,641,814	245,422,731,740
Operating Expenses		11,248,953,178	11,334,037,148
Flexi and PESO Funds Withdrawals		146,241,770	143,905,039
Remittance of Statutory Contributions		4,116,363,425	3,592,868,089
Refund of Deposits		208,369,623	254,220,273
Purchase of Inventories		41,696,612	40,193,998
Grant of Financial Assistance/Subsidy/Contribution		1,013,510	200,000
Other Disbursements		299,829,745	246,214,777
Total Cash Outflows		276,640,109,677	261,034,371,064
Net Cash Generated from Operating Activities		113,043,916,975	63,564,762,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Sale, Maturities and Redemptions of Investments		35,837,258,465	32,601,491,247
Collection of Loans		53,517,779,280	47,541,563,485
Sale/Disposal of Investment Properties and Other Properties and Equipment		370,868,827	291,401,349
Total Cash Inflows		89,725,906,572	80,434,456,081
Cash Outflows			
Purchase and Placement of Investments		137,242,247,166	91,903,164,511
Grant of Loans		56,915,236,729	49,537,345,055
Purchase of Investment Properties and Other Properties and Equipment		255,309,347	234,094,751
Purchase of Intangible Assets		42,162,086	110,236,503
Total Cash Outflows		194,454,955,328	141,784,840,820
Net Cash Used in Investing Activities		(104,729,048,756)	(61,350,384,739)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Release of Corporate Operating Budget to ECC		396,616,854	348,565,227
Total Cash Outflows		396,616,854	348,565,227
Net Cash Used in Financing Activities		(396,616,854)	(348,565,227)
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,918,251,365	1,865,812,124
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(39,958,770)	290,730,822
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		24,231,791,954	22,075,249,008
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	32,110,084,549	24,231,791,954

The Notes on pages 9 to 92 form part of these financial statements.

Certified true copy:


JEAN V. LAGRADA
Vice President
Financial and Budget Division

SOCIAL SECURITY SYSTEM NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Peso)

1. GENERAL INFORMATION

The Social Security System (SSS) is an independent and accountable government-owned and controlled corporation that administers social security protection to Filipino workers, local and overseas and their beneficiaries. Social security provides replacement income for workers in times of death, disability, sickness, maternity, old age, unemployment or involuntary separation and other contingencies.

On September 1, 1957, Republic Act (RA) No. 1161 or the "Social Security (SS) 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, RA No. 8282, otherwise known as the "SS 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 RA No. 1161, as amended by RA No. 8282, exempts the SSS and all its benefit payments from all kinds of taxes, fees or charges, customs or import duty.

On February 7, 2019, RA No. 11199 or the "SS Act of 2018", was enacted to rationalize and expand the powers and duties of the Social Security Commission (SSC) to ensure the long-term viability of the SSS, repealing for the purpose RA No. 1161, as amended by RA No. 8282, otherwise known as the SS Act of 1997. Among the landmark provisions of the RA No. 11199 are the grant of unemployment or involuntary separation benefits for the first time in the country, the mandatory coverage of Overseas Filipino Workers (OFWs), the establishment of a Provident Fund exclusive to SSS members, the condonation of penalties on delinquent contributions, and the legislated adjustments in membership premium and monthly salary credits. In pursuit of its policy, a social security program shall be developed emphasizing the value of "work, save, invest and prosper" for a more responsive SSS. The maximum profitability of investible funds and resources of the program shall be ensured through a culture of excellence in management grounded upon sound and efficient policies employing internationally recognized best practices.

Pursuant to Sections 9 to 11 of RA No. 11199, coverage in the SSS shall be compulsory upon all private employees including domestic workers not over 60 years of age and their employers, self-employed persons, regardless of trade, business or occupation and sea-based and land-based OFWs. Compulsory coverage of the employer shall take effect on the first day of his operation and that of the employee on the day of his employment, while coverage of self-employed person shall take effect upon his registration with the SSS. Non-working spouses of SSS members and Filipino permanent migrants, including Filipino immigrants, permanent residents and naturalized citizens of their host countries may be covered by the SSS on a voluntary basis. Likewise, SSS members separated from employment including OFWs may continue to pay contributions voluntarily to maintain their rights to full benefits.

Under Section 26-B of RA No. 11199, the SSS, as part of its investment operations, acts as insurer of all or part of its interest on SSS properties mortgaged to the SSS, or lives of mortgagors whose properties are mortgaged to the SSS. For this purpose, a separate account known as the "Mortgagors' Insurance Account" was established wherein all

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JEAN Y. LAGRADA

Vice President

Financial and Budget Division

amounts received by the SSS in connection with the aforesaid insurance operations are placed.

Under Section 4 of RA No. 11199, a Provident Fund for the members which will consist of contributions of employers and employees, self-employed, OFW and voluntary members shall be established based on (i) the SSS contribution rate in excess of 12 per cent, or (ii) monthly salary credit in excess of P20,000.00 up to the prescribed maximum monthly salary credit and their earnings, for the payment of benefits to such members or their beneficiaries in addition to the benefits provided for under this Act. A member may contribute voluntarily in excess of the prescribed SSS contribution rate and/or the maximum monthly salary credit, subject to such rules and regulations as the SSC may promulgate. The rate of contributions and the minimum and maximum monthly salary credits shall be in accordance with the schedule defined under Section 4.a.9 of the law. The rate of penalty on unpaid loan amortizations shall be determined and fixed by the SSC from time to time through rules and regulations based on applicable actuarial studies, rate of benefits, inflation, and other relevant socioeconomic data.

The SSS, in pursuit of its mission under RA No. 11199, otherwise known as the SS Act of 2018, to promote social justice through savings and advance the value of “work, save, invest and prosper” and SSC Resolution No. 458-s. 2020 dated September 9, 2022 approved the implementation of the Mandatory Provident Fund (MPF) Program for SSS members effective January 1, 2021. The program which is known as the Workers’ Investment and Savings Program (WISP) consists of contributions of employers and employees, self-employed, OFW and voluntary members, based on monthly salary credit (MSC) in excess of P20,000 up to the prescribed maximum MSC, and their earnings. The program aims to provide SSS members with a convenient and tax-free savings scheme for payment of benefits to such members or their beneficiaries in addition to the benefits provided under RA No. 11199.

Pursuant to SSC Resolution Nos. 209-s. 2022 dated April 6, 2022 and 513-s. 2022 dated August 3, 2022, approving the implementation of the New Voluntary Provident Fund (NVPF) Program for SSS members, which shall be known as the Workers’ Investment and Savings Program (WISP) Plus or “WISP Plus” which is open to all SSS registrants and SSS members with no final benefit claim, regardless of amount of declared monthly earnings and last posted MSC, respectively, subject further to the applicable policies under the Regular SSS Program. The program aims to encourage SSS members to participate in an affordable, flexible, convenient, and tax-free savings scheme.

Under Section 4 of RA No. 8282, voluntary provident funds known as the Flexi-Fund and the Personal Equity and Savings Option (PESO) Fund were established and approved in September 2001 and June 2011, respectively. Flexi-Fund membership is voluntary for OFW members with at least P16,000 monthly earnings covered under the existing program or new entrant with the requirement of initial contributions to the SSS program. The PESO Fund is offered exclusively to SSS members in addition to the regular SSS Program. It aims to provide SSS members with the opportunity to receive additional benefits in their capacity to contribute more. Each member of the PESO Fund shall be allowed a maximum contribution of P500,000 per annum and a minimum of P1,000 per contribution. These two funds shall cease upon implementation of the new provident fund provided under Section 4 of RA No. 11199 but pending for the formal transition rules and guidelines.

The SSS also administers Employees' Compensation (EC) and State Insurance Fund as provided in Presidential Decree (PD) No. 626, as amended. The Employees' Compensation Commission (ECC), a government corporation, is attached to the Department of Labor and Employment for policy coordination and guidance. It was created on November 1, 1974, by virtue of PD No. 442 or the Labor Code of the Philippines. It, however, became fully operational with the issuance of PD No. 626 which took effect on January 1, 1975.

The ECC is a quasi-judicial corporate entity created to implement the Employees' Compensation Program (ECP). The ECP provides a package of benefits for public and private sector employees and their dependents in the event of work-connected contingencies such as sickness, injury, disability or death.

The State Insurance Fund (SIF) was established to provide funding support to the ECP. It is generated from the employers' contributions collected by both the Government Service Insurance System (GSIS) and SSS from public and private sector employers, respectively.

Coverage in the SIF shall be compulsory upon all employers and their employees not over 60 years of age, provided, that an employee who is over 60 years of age and paying contributions to qualify for the retirement of life insurance benefit administered by the System shall be subject to compulsory coverage. On March 6, 2019, the ECC in its Board Resolution No. 19-03-05 approved the policy on expanding the coverage of the ECP to the self-employed compulsory members of the SSS.

The summary of the financial performance and result of operations of the funds as at December 31, 2023, are as follows. All inter-fund accounts have been eliminated.

	SSS*	EC-SIF	Total
Total Assets	838,001,515,939	50,685,783,057	888,687,298,996
Liabilities	8,687,544,152,087	43,718,943,783	8,731,263,095,870
Reserve Fund**/Equity	(7,849,542,636,148)	6,966,839,274	(7,842,575,796,874)
Total Liabilities and Equity	838,001,515,939	50,685,783,057	888,687,298,996

**Includes Insurance Contract Liability (ICL)*

	SSS*	EC-SIF	Total
Income	374,651,632,336	6,701,149,495	381,352,781,831
Expenses	295,683,042,022	2,538,395,931	298,221,437,953
Net Income before changes in policy reserves	78,968,590,314	4,162,753,564	83,131,343,878
Changes in Policy Reserves	524,518,621,889	2,741,299,447	527,259,921,336
Net Income/(Loss) after changes in policy reserves	(445,550,031,575)	1,421,454,117	(444,128,577,458)
Other comprehensive loss for the year	(13,942,311,973)	(493,436,356)	(14,435,748,329)
Total comprehensive income	(459,492,343,548)	928,017,761	(458,564,325,787)

**SSS includes Flexi-Fund, PESO Fund, Mortgagors' Insurance Account, WISP and WISP Plus Fund*

The principal office of SSS is located at East Avenue, Diliman, Quezon City. It has 166 local branches and 120 service and representative offices in various cities and municipalities of the country, and 28 foreign branch offices in Asia and Pacific, Europe, Middle East and North America.

The financial statements of SSS as at December 31, 2023 were approved and authorized for issue on May 13, 2024, but the members of the Board of Commissioner were able to convene only on May 15, 2024 for the signing of the Board Resolution No. 238-s.2024 on the said approval.

2. MATERIAL ACCOUNTING POLICIES INFORMATON

The material accounting policy information 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 of Financial Statements

a. Statement of Compliance with Philippine Financial Reporting Standards (PFRS) and Commission on Audit (COA) Circular No. 2015-004

The accompanying financial statements were prepared in accordance with PFRS and Philippine Accounting Standards (PAS) issued by the Philippine Financial and Sustainability Reporting Standards Council (PFSRSC). PFRS are adopted by the PFSRSC from the pronouncements issued by the International Accounting Standard Board and approved by the Philippine Board of Accountancy. As a Commercial Public Sector Entity (CPSE), SSS is required to adopt the PFRS as its applicable financial reporting framework pursuant to COA Circular No. 2015-003 dated December 13, 2015. Accounts were classified to conform to the Updated Revised Chart of Accounts for Government Corporation prescribed under COA Circular No. 2020-002 dated January 28, 2020.

b. Presentation of Financial Statements

The financial statements are presented in accordance with PAS 1, Presentation of Financial Statements. The System presents all items of income and expenses in a single Statement of Comprehensive Income (SCI).

For this purpose, SSS adopts the guidelines laid down under COA Circular No. 2017-004 dated December 13, 2017, on the preparation of financial statements and other financial reports and implementation of PFRS by government corporations classified as CPSE, unless Management believes that a different classification and presentation of the accounts provides information that is reliable and more relevant to users of the financial statements.

c. *Basis of Measurement*

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

- Financial assets at fair value through profit or loss (FVTPL) are measured at fair value;
- Financial assets at fair value through other comprehensive income (FVTOCI) are measured at fair value;
- Investment properties are measured at fair value;
- Non-current assets held for sale are measured at the lower carrying amount or fair value less cost to sell; and
- Land under property and equipment are measured at revalued amount.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a non-financial asset is measured to its highest and best use. The fair value of financial and non-financial liabilities considers non-performance risk, which is the risk that the entity will not fulfill an obligation.

The SSS classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- *Level 1* – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. FVTPL and FVTOCI investments fall under this level.
- *Level 2* – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter derivative contracts.
- *Level 3* – inputs for the asset or liability that are not based on observable market data (*unobservable* inputs). This level includes investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market prices in its valuations where possible. Investment properties and non-current assets held for sale are within this level.

d. *Accrual Accounting*

In accordance with PAS 1, the financial statements, except for cash flow information, have been prepared using the accrual basis of accounting.

Except for self-employed and voluntary members' contribution shall be recorded on a cash basis as collectability is not reasonably assured.

e. Functional and Presentation Currency

The financial statements are presented in Philippine Peso, which is the System's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise stated.

f. Going Concern

Under RA No. 11199, otherwise known as the Social Security Act of 2018, Section 21, the Philippine Government guarantees that all the benefits prescribed in the RA shall not be diminished and it accepts general responsibility for the solvency of the System.

2.2 Adoption of New and Amended PFRS and Interpretations

a. Effective beginning on or after January 1, 2023 that are relevant to the System

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretations which the SSS adopted effective for annual periods beginning on or after January 1, 2023. Unless otherwise stated, these accounting policies do not affect and/or do not have material impact on the financial statements of SSS.

- Amendments to PAS 1, Presentation of Financial Statements, on classification of liabilities – These narrow-scope amendments to PAS 1, Presentation of financial statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what PAS 1 means when it refers to the settlement of a liability.
- Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2, Making Material Judgments – Disclosure of Accounting Policies. The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy to disclose in their financial statements.
- Amendments to PAS 8, Definition of Accounting Estimates. The amendments replace the definition of change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement

uncertainty. The amendments clarify that a change in accounting estimates that result from new information or new developments is not the correction of error.

b. Effective in 2023 that are not relevant to the System

- Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
- Amendments to PAS 12, International Tax Reform – Pillar Two Model Rules. The amendments provide temporary exception to the requirements regarding deferred tax assets and liabilities to pillar two income taxes.

c. Effective for annual period beginning on or after January 1, 2024

- Amendments to PFRS 16 – Lease Liability in a Sale and Leaseback. The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as sale.
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-Current*. The amendments aim to promote consistency in applying requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current
- Amendments to PAS 1 – Non-current liabilities with covenants. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve the information an entity provides related to liabilities subject to these conditions.
- Amendments to PAS 7 and PFRS 7 – Supplier Finance. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
- PFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information. The main objective of this Standard is to disclose all information about sustainability-related risks and opportunities that could reasonably be expected to affect a company's prospects.

PFRS S1 provides the basic requirements for sustainability disclosures, which should be used with PFRS S2 as well as the future Standards the ISSB releases. The Standard:

- Requires disclosure of material information about sustainability-related risks and opportunities with the financial statements, to meet investor information needs.
 - Requires industry specific disclosures and refers to the industry-based SASB standards for guidance in identifying disclosures about sustainability-related risk opportunities.
 - Refers to sources to help companies identify sustainability-related risks and opportunities and information (for everything other than in the scope of PFRS S2)
 - Requires disclosures that enable investors to understand the connections between sustainability-related risk and opportunities and the sustainability-related financial disclosures and financial statements.
 - Is GAAP agnostic.
- PFRS S2 – Climate-related Disclosures. PFRS S2 has been developed to capture climate-specific requirements which includes:
 - Strategy disclosures that distinguish between physical and transitional risks
 - Disclosure of their plans to respond to climate-related risks and opportunities, including how climate-related targets are set and any targets it is required to meet by law or regulation.
 - Companies should perform scenario analysis to explain how various climate-related events may impact the business in the future.
 - Climate-related metrics and target disclosures

d. Effective for annual period beginning on or after January 1, 2025

- Amendments to IAS 21 – Lack of Exchangeability. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- PFRS 17, *Insurance Contracts* – PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*, which currently permits a wide variety of practices in accounting for insurance contracts. The new standard applies to all types of insurance contracts (i.e., life, non-

life, direct insurance, and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by (a) a specific adaptation for contracts with direct participation features (the variable fee approach) and (b) a simplified approach (the premium allocation approach) mainly for short-duration contracts. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit adjustment, remeasured every reporting period (fulfillment cash flows).
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfillment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in the profit or loss based on insurance contract services provided over the coverage period.
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining coverage period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy of choice.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (non-distinct investment components) are not presented in the income statement but are recognized directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- A loss-recovery component of the asset for the remaining coverage of a group of reinsurance contracts held is determined and recorded in profit or loss when an entity recognizes a recovery of profit or loss on initial recognition of an onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses.
- Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts

issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held.

- Extensive disclosure to provide information on the recognized amounts from insurance contracts and the nature and extent of risk arising from these contracts.

On March 17, 2020, the International Accounting Standards Board (IASB) decided to further defer the effective date of PFRS 17 to annual reporting periods beginning on or after January 1, 2023. The Insurance Commission Circular Letter (CL) 2020-62 amends Section 1 of CL No. 2018-69 on the implementation of PFRS 17, deferred two (2) years after its effective date as decided by the IASB. Therefore, the required implementation date is now moved to January 1, 2025.

e. *Effectivity deferred indefinitely*

- *PFRS 10 (Amendments), Consolidated Financial Statements and PAS 28 (Amendments), Investment in Associates and Joint Venture.* The amendments to PFRS 10 require full recognition in the investor's financial statements of gain or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, between an investor and its associate or joint venture. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that were sold or contributed a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.2.1 Current versus Non-Current Classification

The SSS presents assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are non-current.

A liability is current when:

- Expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Due to be settled within 12 months after the reporting period;

- There is no unconditional right to defer the settlement of the liability for 12 months after the reporting period.

All other liabilities are non-current.

Net deferred tax assets (liabilities) are classified as non-current.

2.3 Financial instruments

a. Financial Assets

a.1 Date of recognition

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

a.2 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 FVTPL.

a.3 Determination of fair value

The SSS determines fair value based on the nature of the financial assets classified according to the intention of the management following the fair value hierarchy of PFRS 13. This seeks to increase consistency and comparability in fair value measurements and related disclosures. Based on the hierarchy category which considers the inputs used in valuation techniques into three levels. SSS financial assets fall under Levels 1 and 3 only.

a.4 Classification and subsequent measurement

The SSS subsequently measures its financial assets as FVTPL or FVTOCI or at amortized cost based on the business model for managing the financial assets and their contractual cash flow characteristics. The business model determines whether cash flows will result from collecting the contractual cash flows, selling the financial assets, or both.

- Financial assets at FVTPL

Financial assets at FVTPL consist of held-for-trading financial assets which include government securities, equity securities, corporate bonds, externally managed fund and investments in mutual funds. 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 FVTPL are measured at fair value and changes therein are recognized in profit or loss.

- Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met: (1) the asset is held within the System's business model, the objective of which is to hold the assets in order to collect contractual cash flows; and (2) the contractual terms of the instrument give rise on specific dates to cash flows that are solely payments of principals and interest (SPPI) on the principal amount outstanding. These consist of investments in government notes, government bonds, corporate notes and corporate bonds.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition that is an integral part of the effective interest rate.

Gains and losses are recognized in profit or loss when the financial assets at amortized cost are derecognized or impaired, as well as through the amortization process.

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

- Financial assets at FVTOCI

Financial assets are measured at FVTOCI if both of the following conditions are met: (1) the asset is held within the business model, the objective of which is achieved both by collecting contractual cash flows and selling financial assets; and (2) the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Subsequent to initial recognition, FVTOCI financial assets which consist of investment in equity securities, government bonds, corporate notes and bonds 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 FVTOCI financial assets portion.

Upon derecognition, cumulative gains or losses for debt financial assets are transferred to profit or loss while cumulative gains or losses for equity financial instruments remain part of the statement of comprehensive income. Dividends are recognized in profit or loss when the right to receive payments is established.

a.5 Impairment of financial assets

The SSC in its Resolution No. 41-s. 2021 approved the policy/guidelines in recognizing and measuring credit impairment. The SSS adopts the Expected Credit Loss (ECL) in accordance with the provisions of PFRS 9 Financial Instruments – Impairment.

The ECL Model is applied on credit exposures covered by PFRS 9, which include the following:

1. Loans and receivables that are measured at amortized cost;
2. Investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income; and
3. Credit commitments and financial guarantee contracts that are not measured at fair value through profit or loss.

SSS adopts the rebuttable presumption in PFRS 9 that a default does not occur later than when a financial asset is 90 days past due.

Credit exposures are classified into three different stages at each reporting date, based on the significance of the increase in credit risk since initial recognition, as follows:

- Stage 1 – Performing – credit exposure that fall under this category are those that are not yet amortizing, current and whose credit risk has not appreciated significantly from initial recognition, i.e., credit exposures with days-past-due (DPD) not more than 30 days.
- Stage 2 – Under-performing – credit exposures classified under this category are those whose credit risk increased significantly since initial recognition, i.e., past due credit exposures with DPD greater than 30 days but less than or equal to 90 days.
- Stage 3 – Non-performing – credit exposures that have clear evidence of impairment at the reporting date, i.e., past due credit exposures with DPD greater than 90 days.

In assessing significant increases in credit risk, the risk of a default occurring on the credit exposure at the reporting date is compared to the risk of a default occurring on the credit exposure at the date of initial recognition.

As soon as the loan is granted to the member-borrower, it is classified under Stage 1. For all credit exposure already in the books, the following rules shall apply:

- a. Exposures with significantly increased credit risk since initial recognition shall be classified under Stage 2.
- b. Non-performing exposures shall be classified under Stage 3.

Transfer from Stage 1 to Stage 2 is made under the following conditions:

- a. Exposures with missed payment for more than thirty (30) days
- b. Exposures with risk ratings downgraded by at least two grades for rating agencies with below 15 rating grades and three grades for rating agencies with more than 15 rating grades

Transfer from Stage 3 to Stage 1 is made under the following conditions:

- a. There is sufficient evidence to support full collection.
- b. Full collection is probable when payments of principal and interest due are received for at least six months.
- c. Non-performing restructured exposures that have exhibited improvement in credit worthiness of the counterparty after a total one-year probation period, i.e.,
 - 6 months in Stage 3 before transferring to Stage 2, and another 6 months in Stage 2 before transferring to Stage 1; or
 - Directly from Stage 3 to Stage 1 without passing through Stage 2 after 12 months.

Restructured exposures classified as “performing” prior to restructuring shall be initially classified under Stage 2. The transfer from Stage 2 to Stage 1 shall follow the 6-month rule as mentioned in item “b” above.

The ECLs are revalued every year.

a.6 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.

b. Financial liabilities

Financial liabilities are initially measured at fair value, and when applicable, adjusted for transaction costs unless designated as financial liability at FVTPL.

SSS’s financial liabilities include accounts payable, accrued operating payable, accrued benefit payable, claims pay-out payable, interest payable, and lease liabilities which are subsequently measured at amortized cost.

Financial liabilities are derecognized in the statement of financial position only when the obligation is extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.4 Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are deposits on call and highly liquid investments with an original maturity of three

months or less, which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2.5 Inventories

Supplies and materials inventories are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operation of the SSS.

Inventories also include semi-expendable property, or those tangible items with cost below the capitalization threshold for property and equipment (see *Note 2.8*). These items are recognized as expense in full upon issuance to end users but are recorded in the Report on the Physical Count of Inventories for monitoring purposes.

2.6 Non-current assets held for sale (NCAHFS)

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 of 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.

NCAHFS includes 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.

Upon in-depth assessment that properties classified as NCAHFS cease to meet the conditions set under PFRS 5, such assets will be reclassified to other asset classification following the guidelines in the Classification, Reclassification and Recording of SSS Real Estate Properties under Office Order No. 2021-012. The guidelines shall govern the general procedures on the classification, reclassification and recording of real estate properties of the SSS with the following objectives:

- a. Provide comprehensive guidelines on the process of classification/reclassification of real estate properties;
- b. Establish the fundamental guidelines and practices for proper accounting and reporting of the reclassification of NCAHFS accounts and valuation of real estate properties in the SSS Financial Statements; and
- c. Define duties and responsibilities of various units involved in the classification of real estate properties.

As for the internally appraised properties classified as NCAHFS, the value of land was established using the Market Data Approach. The initial value of the land is based on the sales and listings of comparable properties. Adjustments were then applied to the gathered value of land by comparing the physical and locational characteristics of the subject property and the comparable properties.

The value of the improvements was arrived at using the Cost Approach. The current reproduction cost of the improvement or structure is first established in accordance with the prevailing market prices of construction materials, labor, contractors' overhead, profits and fees. Adjustments are then made to reflect depreciation resulting from physical deterioration and obsolescence.

2.7 Investment property

Investment property account consists of land or building held to earn rentals and/or for capital appreciation. This account also includes real properties that were previously subject of mortgage loans, individual real estate loan, commercial and industrial loan which were foreclosed or acquired through *Dacion en Pago*, cancelled or relinquished by former owners in favor of SSS due to non-payment.

An investment property is initially measured at cost, including transaction costs. Such costs 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 except for properties carried at cost due to inability to determine the fair value reliably.

The fair values of investment properties are determined annually at the reporting date by an independent professionally qualified valuer and internal appraiser using the Market Data Approach, Cost Approach, and Income Approach. The market value is estimated using gathered available local market conditions considering the following: (a) extent, character and utility of the properties, (b) comparable properties which have been sold recently, plus current asking prices; (c) zoning and current land usage in the locality, and (d) highest and best use of the property.

The generally accepted Market Data or Comparative Approach was used to measure land under the investment property based on sales and listings of comparable property registered within the vicinity. Comparisons are premised on the factors of location, land use, physical characteristics of the land and time element. For the value of the land with improvements, the appraisers used the Cost Approach taking into account the current cost of reproduction, if new, of the replaceable property in accordance with the prevailing market prices for materials, labor, contractor's overhead, and profit and fees. In arriving at the value of the improvements, the modified quantity survey method was used by analyzing the various construction elements of the property (foundations, columns and beams, flooring walls, roof, etc.). In the Income Approach, the value of the property is determined using the interest rates and

yields and the records of rental income and operating expenses. However, in some cases when there are no comparable listings in the open market, the Value Opinion from other appraisers or the BIR (Bureau of Internal Revenue) Zonal Valuation are used which are considered as Level 3 valuation.

Transfers to or from investment property are made when and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation; (b) end of owner-occupation; (c) commencement of an operating lease to another party, or (d) commencement of development with a view to sale.

2.8 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.

Valuations are done by an external independent appraiser every three years or as the need arises. The value of land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable properties registered within the vicinity. This approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator with the subject. This is done by adjusting the differences between the value of the subject property and those actual sales and listings regarded as comparable. Comparisons were premised on the factors of location, land use, physical characteristics of the land, time element, quality, and prospective use. On improvement and building, the Cost Approach was adopted in arriving at the market value of the building. This approach considers the cost to reproduce or replace in new conditions the assets appraised in accordance with current prices for similar assets including costs of labor, transport, installation, commissioning, and consultant's fees. Adjustment is then made for accrued depreciation which encompasses condition, utility, age, wear and tear, functional and economic obsolescence.

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

The initial cost of property and equipment consists of its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable cost necessary in bringing the asset to its working condition and location for its intended use. Cost also includes an initial estimate for dismantling and removing the item or restoring the site on which it is located, the obligation for which an entity incurs when the item is acquired. The capitalization threshold for an item to be recognized as property and

equipment is P50,000 based on COA Circular No. 2022-004 while items whose amounts are below the capitalization threshold are accounted as semi-expendable properties (see *Note 2.5*).

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. An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses on the retirement and disposal of an item of property and equipment are recognized in the SCI in the period of retirement or disposal.

Expenditures incurred after the item has been put into operation, such as repairs and maintenance, are normally recognized as expenses in the period such cost is 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 life of each part of an item of property and equipment.

Consistent with COA Circular No. 2017-004, the estimated useful life of property and equipment are as follows:

Assets	Useful Life
Building and other structures	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

Property and equipment except land and construction in progress have residual value equivalent to five per cent of the acquisition cost for assets recorded in 2023. The property and equipment acquired in prior years are presented at ten per cent residual value.

Leasehold improvements are amortized over the shorter of the terms of the covering leases or the estimated useful life of the improvements.

Fully depreciated assets are retained in the accounts until they are no longer in use.

SSS-owned artworks are classified as (a) *First class artworks*- are art collections or individual pieces, including various paintings, statues and sculptures probably (but not solely) acquired in artistic auctions and held primarily as a store of wealth and usually have some cultural or historical value. The primary goal of acquiring these artworks are for investment purposes, (b) *Office artworks*- represent pieces that are held primarily for decorating the office or workplace, (c) *Inseparable artworks*- are painting

made on walls and cannot be separated from the property to which it was made, and (d) *Ordinary artwork- are pieces (e.g. posters)* with relatively small acquisition cost, used solely for administrative purposes, with no or very small residual value, often subject to wear and tear. All SSS-owned artworks are measured at cost except for First class artworks which are measured at fair value and apply the asset capitalization threshold.

2.9 Right-of-use assets

The system recognizes the right-of-use (ROU) asset for the right to use the underlying asset over the lease term. ROU asset is initially measured based on the present value of the lease payments plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on which it is located, less any lease incentives received.

The ROU assets are amortized over the term of the lease and are depreciated on a straight-line basis over the term of the lease contract. Whenever the lease contract ended/terminated or when the branch transfers or relocates to another property, the ROU and corresponding lease liability are derecognized from SSS books of accounts.

2.10 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. They comprise software and licenses. Acquired computer software/licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

SSS holds several key intangible assets with indefinite life including Cobol Dev. Tools Server, WebCenter Processor management pack, WebLogic Server management pack, Licenses for Oracle Application Server, WebLogic Suite Migration Processor and Oracle WebCenter Portal Processor.

The intangible asset holds a dominant position in a market characterized by stable demand and limited competition. Its unique features and functionalities have consistently attracted customers, resulting in a sustained revenue stream.

- **Technological Advancements:** Continuous technological advancements have not rendered the asset obsolete. Rather, the asset has demonstrated adaptability and compatibility with evolving technologies, ensuring its relevance and utility over time.
- **Legal Protection:** The asset benefits from robust legal protections, including patents and copyrights, which provide exclusive rights and prevent unauthorized use or replication by competitors. These legal safeguards contribute to the asset's enduring value and competitive advantage.
- **Historical Performance:** Historical performance data indicates that the asset has exhibited stable cash flows and profitability trends, indicating its ability to generate economic benefits indefinitely.

- **Strategic Importance:** The asset plays a critical role in supporting the entity's strategic objectives and core business operations. Its contribution to brand reputation, customer loyalty, and operational efficiency reinforces its status as a vital component of the entity's long-term success.

Each of these intangible assets has unique market demands based on its functionality, the industry it serves, and the ongoing trends in technology and business operations.

Computer software/licenses with finite lives are amortized on a straight-line basis over their estimated useful life, 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 or whenever there is an indication that the assets may be impaired. Intangible assets-software are derecognized upon disposal of the computer equipment where the software is attached while licenses are derecognized upon expiration of license agreement with complete documentations.

2.11 Impairment of non-financial assets

The carrying amount of non-financial assets, other than investment property and NCAHFS is assessed to determine whether there is any indication of impairment, or whether 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 by 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 charges for future periods are 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.

2.12 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. Members' contribution

Revenue is recognized from member contributions when it falls due or when earned, not necessarily when collected or when cash is received with the following criteria: (a) collectability is reasonably assured (e.g., the employer can be reliably expected to pay the contribution; (b) sufficient documentation exists; and (c) the contribution due is determinable.

The SSC under its Resolution No. 161-s. 2021 dated April 8, 2021, approved the Accounting Policy on Accrual of Revenues from Member Contributions and Expenses for Member Benefits. The accrual of member contributions procedural guidelines includes the following:

1. Employers shall be assessed for collectability.
 - a. In the initial phase (Phase 1), accrual shall be applied to large accounts employers starting CY 2020. Phase 2 covering all active employers was implemented in CY 2022.
 - b. The employer must be paying for at least three years and with continuous payment for the last six months which shall be recomputed by semester.
 - c. Accrual shall stop if the employer has no payment for three consecutive months prior to applicable month.
2. Contribution collections from active regular employers who pass the collectability assessment shall be accrued using as basis the electronic Collection System (e-CS) which automates the generation of Payment Reference Number (PRN).
3. Analysis of the accrual report:
 - a. The generated PRN shall be recorded as receivable, and revenue based on the applicable month.
 - b. If the employer paid, the accrual entries will be cleared or will be adjusted accordingly if with error.
 - c. Provision for impairment shall be recorded in accordance with existing ECL policy.

Contributions from other employers that are not yet included in the accrual process, self-employed and voluntary members' contribution shall be recorded on a cash basis.

Contributions from Flexi-Fund, PESO Fund, WISP and WISP Plus Fund members are reported as part of trust liabilities.

b. Interest and penalty income

Revenue is recognized as the interest and penalty accrues, taking into account the effective yield on the asset and computed based on the following approved policy:

- Accrual of interest and penalties earned on loans shall only be allowed if the loans and other credit accommodations are current and performing.
- Loans are current and performing if any principal and/or interest are paid for at least 90 days from the contractual due date.
- No accrual of interest and penalty is allowed if a loan has become non-performing. Interest and penalty on non-performing loans shall be taken up as income only when actual payments are received.
- Loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal, interest and penalty is unlikely without foreclosure of collateral, if any.
- All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest and/or penalty are unpaid for more than 90 days from contractual due dates or accrued interest for more than 90 days have been capitalized, refinanced, or delayed by agreement.

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.

2.13 Expense recognition

Expenses are recognized in the statement of comprehensive income upon utilization of the service or at the date they are incurred for operational and benefit expenses.

The accrual of benefit expense is recognized when the transaction occurs or when the expenses are incurred, not necessarily when they are paid or disbursed with the following criteria being met: (a) there is an obligating event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation; and (b) the amount of expense is determinable or can be reliably estimated in the case of accrued expense.

The following procedures were implemented in compliance with Office Order 2023-006 on Guidelines in the Accrual of Benefit Expenses:

1. The unfilled compulsory retirement benefit, in lumpsum or monthly pension, shall be computed from the date of contingency up to

December 31 of the reporting year until the member reaches the age eighty (80).

Further, the Actuarial Services Division (ASD) provides the factors to be applied for each age (65-80) for the computation of the benefit accruals for Pension. The following are the basis used for the factors: actual retirement and membership data by age from 2018 to October 2023; and 10 per cent added to factors for conservatism.

2. The basis for accrual of approved benefit claims for payment shall be the amount of unpaid LOI as of December 31 of the reporting year.

2.14 Leases

a. *SSS as lessee*

At inception of the contract, the SSS has assessed that the contract contains a lease that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The System assessed whether:

- The contract involves the use of an identified asset – which the asset is physically distinct or represents substantially all the capacity of a physically distinct asset;
- The System has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The System has the right to direct the use of the asset and it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

As a lessee, the SSS classified leases as an operating lease based on its assessment of non-transferability of the risks and rewards of ownership. The right-of-use asset is recognized for lease contracts that have a term of more than twelve months at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using applicable Bloomberg's PHP BVAL rates. The BVAL rate used in 2023 is based on the term specified in the contract.

In applying PFRS 16, SSS has used the following practical expedients permitted by the Standard:

- The use of applicable BVAL rate to a portfolio of leases depending on the term on the lease of contract;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2023 as short-term leases on a straight-line basis;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

SSS has also elected not to reassess existing lease contracts at the date of initial application. Instead, for contracts entered before the transition date, SSS relied on its assessment made applying PAS 17. Accrued rent payable is also adjusted accordingly.

The SSS leases various offices nationwide. Rental contracts are typically made for fixed periods of three to eight years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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.

In any case, SSS does not enter into a finance lease agreement.

2.15 Related party disclosures

PAS 24 ensures that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may be affected by the existence of related parties and by transactions and outstanding balances with such parties. Related party transactions are the transfer of resources, services or obligations between SSS and its related parties, regardless of whether a price is charged.

2.16 Provisions and contingencies

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation and reflects the present value of expenditures required to settle obligation where the time value of money is material.

A provision is recognized when, as a result of a past event, the SSS has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle that obligation. However, it requires the approval of the SSC and the setup of a budget for the actual expenditure required to settle the obligation.

This includes (a) Leave benefits payable which represent 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, (b) Retirement gratuity payable which is available to qualified employees under any one of RA No. 1616, RA No. 660 and RA No. 1616, and (c) Retirement incentive awards (RIA) given to employees with at least 20 years of creditable service are entitled to P5,000 for every year of service upon retirement.

2.17 Insurance Contract Liability

In CY 2020, SSS adopted PFRS 4 and recognized contingent liability for the present value of future benefits and expenses, less the present value of future contributions discounted at the appropriate risk-free discount. The change in accounting treatment from PAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* is in compliance with the government's directive of treating government insurance institutions as self-sustaining insurance institutions.

SSS has transitioned to PFRS 4 on the reporting of its financial condition and valuation standards sets by the Insurance Commission were applied, where the life insurance policy reserve shall be valued, where appropriate, using the gross premium valuation applies a closed group projection method, which considers the existing members up to the end of reporting date while continuing their contribution up to a certain date.

2.18 Prepayments

Prepayments are the usual advances to suppliers and creditors including the cash deposit to the Procurement Service of the Department of Budget and Management (DBM). The advances to suppliers and creditors are expensed monthly. Also included is the benefit expense for the first 18 monthly retirement pension to members who opted to avail themselves of the advance retirement benefits.

2.19 Income taxes

Based on Section 16, RA No. 11199, as amended, the SSS and all its assets and properties, all contributions collected and all accruals thereto and income or investment earnings therefrom as well as all supplies, equipment, papers or documents shall be exempt from any tax, assessment, fee, charge, or import duty. Thus, SSS is exempt from paying income taxes to the government.

2.20 Transactions in foreign currencies

Transactions in foreign currencies are initially recorded in Peso at the spot exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the prevailing functional currency rate at the reporting date. Exchange rate differences arising from the restatement or settlement of monetary items are recognized in profit or loss in the year in which they arise.

2.21 Events after the reporting date

Post year-end events that provide additional information about the System's financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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.

3.1 Judgments

In the process of applying accounting policies, Management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

a. Financial Assets classification and measurement

The management exercise judgement in classifying financial assets. The classification of financial assets depends on the business model for managing the assets and the contractual cash flow characteristics of the asset. In making this judgment, the management evaluates its business model to determine if the objective is to hold assets to collect contractual cash flows or to hold assets for both collecting contractual cash flows and selling financial assets.

The SSS may, at initial recognition, irrevocably designate a financial asset meeting the criteria to be classified at amortized cost, FVTOCI, or FVTPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorized as FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for as FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the SSS designates an equity investment that is not held for trading as at FVTOCI at initial recognition. The financial assets at FVTPL include government securities, equity securities, externally managed funds and investments in mutual funds.

SSS has chosen to measure certain government securities at FVTPL. This decision reflects SSS aim to accurately capture current market conditions and enhance the investment management. Changes in the fair value of these financial assets are directly recognized in profit/loss, providing a transparent view of the SSS performance. This approach aligns with our strategic goals and complies with relevant financial reporting standards.

3.2 Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date and have a significant risk of causing a material

adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding paragraphs:

a. Estimation of impairment losses on receivables

SSS recognizes an allowance for impairment losses on receivables to reflect the risk of non-collection. This allowance is based on the policy/guidelines in recognizing and measuring credit impairment as approved by SSC per resolution no.41-s.201 (see Note 2.3 a.5)

b. Defined Benefit Obligations

The defined benefit obligation represents the present value of expected future payments required to settle obligations for the members. The actuarial valuation of defined benefit obligations involves significant assumptions and estimates (see Note 20).

c. Insurance Contract Liabilities

SSS determines the accurate estimation of Insurance Contract Liabilities to ensure the fulfillment of the SSS future obligations to the members based on the annual projection provided by Actuarial Department.

d. Legal Contingencies

SSS is subject to various legal proceedings and claims arising in the ordinary course of operations. Management continuously monitors these matters and engages legal counsel to assess potential outcomes and their financial implications. Where the potential loss is probable and estimable, provisions are recognized in the financial statements. Legal contingencies that are considered possible but not probable are disclosed as contingent liabilities unless the likelihood of an outflow of resources is remote.

e. Going concern basis

SSS has prepared the financial statements on a going concern basis. This assumption is based on the entity's ability to continue its operations and meet its obligations as they fall due for the foreseeable future.

4. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2023	2022
Cash on hand	633,690,563	1,214,600,920
Cash in bank	8,703,377,399	7,455,888,556
Cash equivalents	22,773,016,587	15,561,302,478
	32,110,084,549	24,231,791,954

Cash in banks earns interest at the respective bank deposit rates.

Cash equivalents include time and special savings deposits (TD/SSD) 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.

Interest rates per annum range from 0.58 per cent to 6.4 per cent for time and special savings deposits which are dependent on the tenor with overnight (one day) placement at the minimum. Savings and current accounts interest rates are non-earning to 0.40 per cent per annum.

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 and P10 million with DBP and LBP, in a non-drawing interest bearing current account/savings account (CASA) with each of the banks' servicing branches. As at December 31, 2023, the amount of P385 million is being maintained in said banks for such purpose.

As at December 31, 2023, foreign exchange rate gains amounting to P9.007 million related to the collection and remittance of member contributions and loans from OFWs.

Interest income earned from cash in banks and term deposits amounted to P1.297 billion and P652.735 million as at December 31, 2023 and 2022, respectively (see *Note 24*).

5. FINANCIAL ASSETS

This account consists of the following:

5.1 Current Financial Assets

	2023	2022
Financial assets – at FVTPL		
Equity securities	53,976,748,650	35,433,492,544
Government securities	26,258,036,859	30,994,202,297
Externally managed fund	8,352,462,829	1,117,757,413
Investment in mutual fund	5,833,353,755	3,802,772,213
Corporate bonds	0	62,803,169
	94,420,602,093	71,411,027,636
Financial assets – at amortized cost		
Investment in bonds – local		
Government bonds	13,516,057,145	9,245,716,827
Corporate bonds	2,550,451,312	3,318,450,000
Debenture bonds	200,000,000	200,000,000
Corporate notes	261,131,557	0
Government notes	0	510,000,000
	16,527,640,014	13,274,166,827
Allowance for impairment loss	(7,129,772)	(11,773,810)
	16,520,510,242	13,262,393,017
	110,941,112,33	84,673,420,653

The fair value of financial assets through profit or loss is measured using active quoted market prices, recurring and Level 1 based on the level of fair value

hierarchy. They are measured at fair value to properly reflect the changes and actual values of the asset in the market.

Pursuant to Section 26-A of the RA No. 11199, the engagement of seven local fund managers (LFM) was approved by SSC under its Resolution No. 1035-A dated December 12, 2018 to manage portion of SSS Investment Reserve Fund with total original deployed investment of P9 billion under the following mandates: pure equity fund mandate; pure fixed income mandate and balanced fund mandate. As at December 31, 2023, the managed fund ended at P8.352 billion due to the income and additional investments managed by external fund managers of BPI Asset Management and Trust Corporation (BPI AMTC), Security Bank, Phil Equity Management Inc, DBP-Trust Banking Group and LBP-Trust Banking Group and the non-renewal of investment with ATR asset management (ATRAM).

Government Securities under Financial Asset through Profit or Loss are fixed rate treasury notes obtained from Bureau of Treasury (BTr) in various dates and intended for trading purpose with interest rate ranging from 2.38% to 18.25%.

Investment in mutual fund is an investment vehicle made up of a pool of money collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and other assets managed by professional fund managers. Investment in domestic mutual fund was approved by SSC under Resolution Nos. 351 and 509-s. 2018 dated April 25 and June 20, 2018 respectively, with a P3 billion original allotment. The said amount is invested and distributed at P1 billion each to the three accredited mutual fund companies, namely: Philequity Fund, Inc., Philippine Stock Index Fund Corp. and Sun Life of Canada Prosperity Balanced Fund, Inc. In 2023, additional mutual fund investments were placed to accredited mutual fund companies namely; ALFM Money Market Fund, Phil Equity Dividend Yield Fund, Inc., Philequity PSE Index Fund Inc., Sunlife Prosperity Phil Stock Index Fund, Inc. and First Metro Save and Learn Equity Fund, Inc. As at December 31, 2023 and 2022, the value of invested funds amounted to P5.833 billion and P3.803 billion, respectively.

The costs of the financial assets at FVTPL are as follows:

	2023	2022
Government securities	26,081,312,457	31,649,768,463
Equity securities	54,712,214,280	38,091,296,320
Externally managed fund	8,000,000,000	1,000,000,000
Investment in mutual fund	5,830,588,661	4,017,340,588
Corporate bonds	0	66,025,862
	94,624,115,398	74,824,431,233

5.2 Non-Current Financial Assets

	2023	2022
Financial assets at amortized cost		
Investment in bonds		
Government bonds	311,012,960,510	249,905,373,430
Debenture bonds	2,413,170,775	2,613,170,775

	2023	2022
Corporate bonds	36,460,228,106	28,870,708,686
Corporate notes	6,448,660,000	2,653,220,000
	356,335,019,391	284,042,472,891
Allowance for impairment	(105,025,732)	(115,403,202)
	356,229,993,659	283,927,069,689
Financial assets at FVTOCI		
Equity securities	81,695,553,283	94,809,448,861
Government bonds	32,396,577,076	32,453,718,850
Corporate notes	1	1
Corporate bonds	0	498,840,920
	114,092,130,360	127,762,008,632
Allowance for impairment – corporate bonds	0	(7,576,225)
	114,092,130,360	127,754,432,407
	470,322,124,019	411,681,502,096

The fair value of the FVTOCI financial asset is measured using active quoted market prices, recurring and level 1 based on the level of fair value hierarchy. They are measured at fair value to properly reflect the changes and actual values of the asset in the market. Fair value gains/losses are recognized in the other comprehensive income. The cost of the financial assets as at December 31, 2023 and 2022 is P154.588 billion and P153.818 billion, respectively.

Notes and bonds earn interest at 2.25 to 18.25 per cent depending on the amount and terms of the investment. Interest income earned from investments in notes and bonds at amortized cost – local as at December 31, 2023 and 2022 is P18.752 billion and P 14.061 billion, respectively (see *Note 24*).

Movements in Financial Assets (FA) are as follows:

	Government Securities	Equity Securities	Corporate Bonds	Investment in Mutual Fund	Externally Managed Fund	Total
FA at FVTPL, January 1, 2023	30,994,202,297	35,433,492,544	62,803,169	3,802,772,213	1,117,757,413	71,411,027,636
Purchases	8,230,577,160	23,677,355,109		2,027,816,447	8,000,121,064	41,935,869,780
Fair Value Gain	1,828,388,939	13,268,308,328		709,750,119	658,546,023	16,464,993,409
Fair Value Loss	(1,187,226,393)	(14,003,773,959)		(706,985,024)	(306,083,194)	(16,204,068,570)
Sales/ Disposal	(13,607,905,144)	(4,398,633,372)	(62,803,169)	0	(1,117,878,477)	(19,187,220,162)
FA at FVTPL, December 31, 2023	26,258,036,859	53,976,748,650	0	5,833,353,755	8,352,462,829	94,420,602,093

	Government Securities	Equity Securities	Corporate Bonds	Investment in Mutual Fund	Externally Managed Fund	Total
FA at FVTPL, January 1, 2022	32,736,514,630	27,241,636,732	254,985,154	3,149,466,800	4,551,501,502	67,934,104,818
Purchases	4,390,130,943	13,721,040,047	86,263,727	867,873,788	0	19,065,308,505
Fair Value Gain	644,897,858	11,733,805,712	4,163,824	642,178,251	99,458,856	13,124,504,501
Fair Value Loss	(1,588,221,105)	(14,391,609,488)	(7,386,517)	(856,746,626)	(91,911,453)	(16,935,875,189)
Sales/ Disposal	(5,189,120,029)	(2,871,380,459)	(275,223,019)	0	(3,441,291,492)	(11,777,014,999)
FA at FVTPL, December 31, 2022	30,994,202,297	35,433,492,544	62,803,169	3,802,772,213	1,117,757,413	71,411,027,636

	Government Securities	Equity Securities	Corporate Notes/ Bonds	Total
FA at FVTOCI, January 1, 2023	32,453,718,850	94,809,448,861	498,840,921	127,762,008,632
Accumulated Impairment Loss	0	0	(7,576,225)	(7,576,225)
Net Book Value, January 1, 2023	32,453,718,850	94,809,448,861	491,264,696	127,754,432,407
Purchases	0	2,770,567,800	0	2,770,567,800
Cumulative Change Sales/Disposal	1,397,350,709	(15,838,717,781)	1,159,080	(14,440,207,992)
Impairment (Loss) Recovery	(1,454,492,483)	(45,745,597)	(500,000,000)	(2,000,238,080)
FA at FVTOCI, December 31, 2023	0	0	7,576,225	7,576,225
	32,396,577,076	81,695,553,283	1	114,092,130,360

	Government Securities	Equity Securities	Corporate Notes/ Bonds	Total
FA at FVTOCI, January 1, 2022	41,643,707,946	100,630,984,665	508,065,036	142,782,757,647
Accumulated Impairment Loss	0	0	0	0
Net Book Value, January 1, 2022	41,643,707,946	100,630,984,665	508,065,036	142,782,757,647
Purchases	0	6,544,065,056	0	6,544,065,056
Cumulative Change Sales/Disposal	(4,556,995,773)	(12,321,973,039)	(9,224,115)	(16,888,192,927)
Impairment (Loss) Recovery	(4,632,993,323)	(43,627,821)	0	(4,676,621,144)
	0	0	(7,576,225)	(7,576,225)
FA at FVTOCI, December 31, 2022	32,453,718,850	94,809,448,861	491,264,696	127,754,432,407

	Government Securities	Corporate Notes and Bonds	Total
FA at AC, January 1, 2023	262,474,261,032	34,842,378,686	297,316,639,718
Accumulated Impairment Loss	(14,065,854)	(113,111,158)	(127,177,012)
Net Book Value, January 1, 2023	262,460,195,178	34,729,267,528	297,189,462,706
Purchases	75,204,209,591	15,297,606,670	90,501,816,261
Amortization	(624,979,194)	3,495,620	(621,483,574)
FOREX Gain	55,400,000	0	55,400,000
FOREX Loss	(88,400,000)	0	(88,400,000)
Sales	(9,878,303,000)	(4,423,010,000)	(14,301,313,000)
Impairment (Loss) Recovery	1,000,000	14,021,508	15,021,508
FA at AC, December 31, 2023	327,129,122,575	45,621,381,326	372,750,503,901

	Government Securities	Corporate Notes and Bonds	Total
FA at AC, January 1, 2022	224,185,637,011	25,755,403,393	249,941,040,404
Accumulated Impairment Loss	0	(40,083,657)	(40,083,657)
Net Book Value, January 1, 2022	224,185,637,011	25,715,319,736	249,900,956,747
Purchases	49,602,702,859	15,257,845,154	64,860,548,013
Amortization	(442,291,156)	(299,861)	(442,591,017)
FOREX Gain	79,500,000	0	79,500,000
FOREX Loss	(27,500,000)	0	(27,500,000)
Sales	(10,923,787,682)	(6,170,570,000)	(17,094,357,682)
Impairment (Loss) Recovery	(14,065,854)	(73,027,501)	(87,093,355)
FA at AC, December 31, 2022	262,460,195,178	34,729,267,528	297,189,462,706

6. RECEIVABLES

This account consists of the following:

	2023	2022
Current		
Loans and receivable	111,856,894,697	85,259,304,632
Lease receivable	112,883,246	184,570,424
Other receivables	1,214,803,790	1,111,550,128
	113,184,581,733	86,555,425,184
Allowance for impairment	(3,579,617,737)	(2,946,599,525)
	109,604,963,996	83,608,825,659
Non-Current		
Loans and receivable	81,172,538,947	86,053,402,787
Lease receivable	14,982,824	15,440,522
Other receivables	1,614,666,122	1,757,787,160
	82,802,187,893	87,826,630,469
Allowance for impairment	(20,649,645,103)	(20,436,537,577)
	62,152,542,790	67,390,092,892

Loans and receivable account is composed of receivables from short-term member loans, and housing loans due within twelve months. It also includes contribution and premium receivable, interest, dividend, and sales contract receivables. The account receivable collecting bank/agent is now presented under the Loans and receivable account from previous classification under other receivables per COA Circular No. 2021-005. These are measured at amortized cost with provision of impairment loss pursuant to PFRS 9 and the policy guidelines on the recognition of ECL.

Other receivables include receivable from Waterfront Philippines, Inc. (WPI) amounting to P375,000,000 based on Supreme Court Notice dated September 21, 2022 which resolves to deny reconsideration with finality on G.R. No. 249337 dated July 6, 2021.

The composition of the current and non-current portion of Loans receivable is as follows:

	2023	2022
Current		
Loans receivable	76,686,309,980	60,873,459,903
Interest receivable	7,131,064,754	5,734,687,460
Contribution and premium receivable	26,897,610,135	17,712,941,215
Receivable-CBs/CAs	983,451,268	885,112,776
Dividend receivable	154,492,179	52,658,513
Sales contract receivable	3,966,381	444,765
	111,856,894,697	85,259,304,632
Non-Current		
Loans receivable	57,680,260,170	62,434,732,026
Interest receivable	12,593,356,283	12,593,356,283
Sales contract receivable	1,225,927,264	1,265,629,021
Loan to other government corporation	9,306,629,575	9,426,787,178
Receivable collecting banks/agents	366,365,655	332,898,279
	81,172,538,947	86,053,402,787

a. *Loans receivable* is recognized at amortized cost and composed of the following:

	2023	2022
Member loans	127,398,693,835	116,638,419,769
Housing loans	853,152,441	1,020,216,277
Pension loans	6,027,996,504	5,562,827,380
Commercial and industrial loans	69,508,150	69,509,283
Program member assistance for development entrepreneurship (MADE)	17,219,220	17,219,220
	134,366,570,150	123,308,191,929
Allowance for impairment	(7,021,425,248)	(6,142,023,609)
	127,345,144,902	117,166,168,320

Member loans are receivables from salary, emergency, calamity and separated member loan, educational assistance loan program, student assistance loan, stock investment loan, privatization loan fund, loan to vocational/technical students, special education loan fund and restructured member loans granted to SSS' members.

The Loan Restructuring Program (LRP) which ended on April 1, 2019, has covered the member-borrowers affected by previous calamities/disasters with past due calamity loans and other short-term member loans. The total principal and accrued interest of all past due short-term loans of the member-borrower were consolidated into one Restructured Loan (RL1). Penalties were condoned after full payment of outstanding principal and interest of RL1 within the approved term. However, if the balance of RL1 is not zeroed at the end of the term, the unpaid principal of RL1 and the proportionate balance of condonable penalty become part of a new principal under Restructured Loan 2 (RL2). The balance of the restructured member loan as at December 31, 2023 amounted to P14.753 billion with accumulated impairment provision of P889.543 million.

The Educational Assistance Loan Program which is part of the Member loans amounted to P5.643 billion consisting of the 50:50 SSS and NG (National Government) shares, has been expended/extended as loans to member beneficiaries as at December 31, 2023. The loans for degree course shall be payable in five years to start 18 months for semestral courses, 15 months for trimestral courses, or 14 months and 15 days for quarter-term courses from the scheduled last release date or from the date of last release for those who will not avail of the subsequent releases. For technical/vocational courses, the loan shall be payable in three years to start 18 months for semestral courses from the scheduled last release date or from the date of last release for those who will not avail of the subsequent release. Interest and penalty on overdue amortization as at December 31, 2023 and 2022 are P95.763 million and P10.354 million, respectively.

Housing Loans are real estate loan (REL) and employee housing loans program (EHLP). Real estate loans included five different products: Regular, Pari-passu, Participating Financial Institution (PFI), Overseas Filipino Worker (OFW) and Trade Union Member (TUM). The regular loan is a housing loan program for covered employers and employees, separated paying members and self-employed members directly granted by SSS in 1959. Pari-passu is a joint housing loan program of the

SSS and the SSS' accredited participating financial institutions (PFIs) which enables a member to acquire housing unit costing more than P1 million. There are two (2) funders for the loan, SSS and PFI who will share pro-rata depending on their loan exposure. Loan to PFI is an SSS loan to accredited financial institutions like commercial banks, investment houses and financing companies. The real estate loan for OFWs is designed to support the Government's Shelter Program which aims to provide socialized and low-cost housing to overseas Filipino contract workers. TUM is designed to provide socialized and low-cost housing to workers who are bona fide members of duly registered and accredited worker's organizations. EHLP is a housing loan program offered to all SSS officials and employees which started in 1991.

Pension Loans are loans of SSS pensioners under the Pension Loan Program (PLP), which was launched on September 3, 2018 to provide financial aid to qualified SSS retiree pensioners by way of providing low-interest loans. The program was approved by the SSC under Resolution No. 341 dated April 25, 2018 and its implementing guidelines were issued under Office Order No. 2018-033 dated May 8, 2018. After 10 months of implementation, the SSC under its Resolution No. 429-s. 2019 dated July 5, 2019 approved the enhancement of the program in terms and conditions of the PLP. Among the highlights of the enhancements are as follows: (1) the maximum loan limit increased from P32,000 to P200,000; (2) the age of the retiree pensioner at end of the month of loan term changed from 80 years of age or below to 85 years of age and below; and (3) longer loan repayment terms from 12 months to 24 months. The monthly amortization of the pension loan shall be deducted from the monthly pension of the pension loan borrower in which the first monthly amortization shall become due on the second month after the loan was granted. The interest rate remains at 10 per cent per annum until fully paid computed on a diminishing principal balance, which shall become part of the monthly amortization. Loan releases for CY 2023 reached 126,414 amounting to P5.82 billion and interest income recognized is P511.115 million.

Commercial and industrial loans are loan programs through conduit arrangement with the accredited participating financial institutions (PFIs)/banks and covered by the Omnibus Credit Line (OCL). The SSS made available the program funds to the PFIs, which will on-lend the fund to eligible borrowers/end-users. The programs are being implemented according to the guidelines, terms and conditions in the PFIs OCL.

Program MADE are loans released/restructured between CYs 1991 to 1994 to cooperatives, which was approved under SSC Resolution No. 502 on September 7, 1989 to encourage the promotion of livelihood enterprises through community-based organizations to create and sustain local employment opportunities.

b. Interest receivable account represents the accrued interest from various SSS investments such as cash equivalents, notes and bonds, and loans and receivables which are still uncollected as at reporting period. Likewise, the penalty receivable represents the accrual of penalty income from various delinquent loans. These accounts are credited whenever cash is collected, either monthly, quarterly, semi-annually or annually depending on the interest/penalty payment dates of the investment. This includes receivable from WPI amounted to P851.442 million based on 12 per cent legal interest from October 28, 1999 to June 30, 2013, and 6 per cent legal interest from July 1, 2013 to December 31, 2023.

As at December 31, 2023 and 2022, the accrued interests are as follows:

	2023	2022
Government notes and bonds	5,580,992,581	4,296,888,727
Member loans	281,690,757	255,621,985
Corporate notes and bonds	331,958,039	274,118,019
Debenture bonds	37,867,896	40,625,430
Receivable from Private and Gov't Agencies	852,444,658	830,446,028
Cash equivalent and Short-term Money Placement	35,673,046	23,590,222
Sales contract receivable	6,395,621	8,437,264
Housing loans	4,042,156	4,959,785
	7,131,064,754	5,734,687,460
Allowance for impairment	(406,794,985)	(397,039,963)
	6,724,269,769	5,337,647,497

Loans and receivables earn interest at their respective rates, as follows:

	Interest Rate (Per Annum)
Loans receivable	
Member loans	3.0 to 10.0
Housing loans	3.0 to 13.0
Pension loans	10.0
Commercial and industrial loans (CIL)	2.5 to 16.0
Loan to other govt. corporation – NHMFC	4.0
Sales contract receivable	6.0 to 14.0

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 P12.575 billion and P12.575 billion for CYs 2023 and 2022, respectively.

On February 6, 2023, a letter from the DOF Secretary informed the SSS on the proposal to implement the condonation of interests and penalties of P12.575 billion and to settle the balance of P10 billion in staggered payments from the National Government. The SSC approved thru Resolution No. 192-s 2023 dated May 3, 2023 the following measures:

- Continue to implement the condonation amounting to P12.575 billion in accrued interest and penalties as approved under SSS Resolution No. 681-s.2019 dated September 25, 2019 which Item A states that “the condonation shall take effect once the request of the Department of Finance to the Department of Budget and Management for provision of an annual Net Lending Program (NLP) for the account of NHMFC in the amount of P10 billion is approved and allocated by the DBM.
- The remaining balance of P10 billion shall be provided for in the budget of the National Government (NG) under the NLP in the amount of P3.33 billion a year for the next three (3) years, following 2023 to be collected in staggered payments.

On June 22, 2023, a meeting was held between NHMFC and SSS to discuss recent updates on the matter of payment of the remaining balance of P10 billion. In the said meeting, it was mentioned that the NHMFC has been excluded from the Net Lending Program of the Department of Finance, hence, their appeal for a direct subsidy from the National Government. Thereafter, on September 11, 2023, the NHMFC advised that the P3.330 billion as payment (first tranche) to SSS was included in their 2024 Corporate Operating Budget (COB).

The SSC approved SSS' participation and invested in various HGC (now Philippine Guarantee Corporation or PGC) guaranteed Asset Participation Certificates (APC) from CY 1995 to CY 2000. However, the Asset Pools failed to service the regular interest due to the APCs. In view of this, the SSS decided to call on the guaranty of HGC from November 2000 to July 2001. HGC was unable to pay in full guaranteed obligations and partially settled it through the issuance of debenture bonds and transfer of 19 lots through *Dacion en Pago*. From CY 2005 to CY 2013, correspondence and meetings were sent and conducted, respectively, between and among SSS, HGC and the Department of Finance (DOF). Upon approval of the SSC under Resolution No. 899 dated November 27, 2013, SSS formally filed with Office of the Government Corporate Counsel (OGCC) the Petition for Arbitration and Adjudication versus HGC (Arbitration Case No. 2013-004). The amount subject of arbitration was P5.240 billion covering principal, HGC-guaranteed interest, and compound interest. Thereafter, negotiations continued between PGC and SSS until an agreement has been reached with SSS condoning 4.972 per cent of the guaranteed interest resulting in a settlement value of P4.813 billion. The Memorandum of Agreement (MOA) was executed on August 26, 2021 to settle all disputes and to put an end to the arbitration case. Upon approval of the MOA by the Department of Justice (DOJ) on December 23, 2021, PGC shall pay SSS with the following terms and conditions:

Cash Payment:	
➤ Upon approval of the Department of Justice/Secretary of Justice (DOJ/SOJ) of the MOA with fixed interest rate of 2.01% p.a. from October 31, 2020 to actual payment date	1,100,000,000.00
Deferred Cash Payment	
➤ Year 2 to 4 (P100 million per year)	300,000,000.00
➤ Year 5	200,000,000.00
With fixed interest rate of 3.0% p.a., payable semi-annually, to be computed based on actual number of days effective October 31, 2020	
PGC Debenture Bond – Backed by Sovereign Guaranty	
➤ Year 1 to 4 redemption (P200 million per year)	800,000,000.00
➤ Year 5 (Balloon payment of balance)	2,413,170,775.22
With fixed interest rate of 3.0% p.a., payable semi-annually, to be computed based on actual number of days effective October 31, 2020	
Settlement value as of October 31, 2020	4,813,170,775.22

As at December 31, 2023, the total outstanding obligation of PGC is P2.852 billion, broken down as follows:

Particulars	Deferred cash payment	PGC Debenture bonds	Total
Principal	200,000,000	2,613,170,775	2,813,170,775
Interest	1,002,740	37,867,896	38,870,636
	201,002,740	2,651,038,671	2,852,041,411

c. *Contribution and premium receivable* represent accrued receivables due for the next month which is the next calendar year following the policy approved by the SSC (see Note 2.12a).

d. *Receivables – CB/CA* account represents premium contributions and loan payments collected by accredited banks and agents but not yet remitted to SSS. This account is debited upon receipt of collection/remittance data/reports that are electronically transmitted by the CBs/CAs, which are uploaded by the SSS Data Center Operations Department from different CBs/CAs servers and credited for the total remittances appearing in the bank statements. The balances of the account were presented net of negative balances totaling P5.940 million and P335.212 million as at December 31, 2023 and 2022, respectively, which are mostly prior years' transactions due to un-submitted valid collection/remittance data/reports.

e. *Dividend receivables* are cash dividends earned but not yet received on shares of stocks that are held as FA at FVTPL and FA at FVTOCI.

f. *Sales contract receivables* are contracts arising from deed of conditional sale executed by the SSS with properties under NCAHFS to various buyers of the said properties.

g. *Loans to other government corporation* refers to loans to NHMFC as mandated under Executive Order (EO) No. 90 to be the major government home mortgage institution whose initial main function was to operate a viable home mortgage market, utilizing long-term funds principally provided by the SSS, the GSIS, and Home Development Mutual Fund (HDMF), to purchase mortgages originated by both the private and public institutions within the Unified Home Loan Program (UHLP) guidelines. In accordance with the mandates of EO No. 90, the SSC in its Resolution No. 509 dated August 4, 1988 approved the long-term loans to NHMFC for low-income SSS members. Total loan releases from CY 1988 to CY 1995 amounted to P30.075 billion with total housing loan borrowers/beneficiaries of 135,229. In CY 1996, a substantial number of UHLP Portfolio borrowers defaulted in the payment of their loans to NHMFC, thereby causing NHMFC also to default in its payments to SSS. To address the deterioration of NHMFC's financial position, a Memorandum of Agreement dated June 5, 1996 was executed by the parties. On December 17, 2003, the SSC under Resolution No. 684 approved the restructuring of NHMFC's total obligations of P40.515 billion broken down into: Principal (Low, Mod & High Del) – P27.940 billion, Accrued Interest - P11.961 billion and Penalty – P0.614 billion. The interest and penalty were not capitalized during the restructuring and are to be paid after full satisfaction of restructured principal obligation per Restructuring Agreement.

As at December 31, 2023, the total outstanding obligation of NHMFC is P21.885 billion, broken down as follows:

Principal	9,306,629,575
Interest	11,963,797,893
Penalty	614,104,940
	21,884,532,408

The DOF in its letter dated October 19, 2020 informed SSS that the P10 billion shall be considered in the CYs 2022 to 2024 budget allocation for the Net Lending Program to NHMFC in view of the tight fiscal space of the National Government (NG) for CY 2020 and CY 2021.

Lease receivable consists of operating lease receivables from contract of lease executed with the lessees. It represents accrual of rental income from tenants of SSS which are collectible within a year. Rent/lease income is derived from investment properties, ROPA and operating assets, and recognized a total income of P1.254 billion and P1.244 billion as at December 31, 2023 and 2022, respectively (see *Note 34*).

	2023	2022
Current		
Operating lease receivable	112,883,246	184,570,424
Allowance for impairment	(60,693,301)	(75,374,379)
	52,189,945	109,196,045

	2023	2022
Non-Current		
Operating lease receivable	14,982,824	15,440,522
Allowance for impairment	(14,982,821)	(15,440,519)
	3	3

Other receivables consist of the following:

	2023	2022
Current		
Penalty receivable	549,912,871	528,345,037
Receivables – disallowances/charges	24,731,828	25,724,993
Insurance claims receivable	487,389	1,055,339
Due from officers and employees	10,514,666	9,632,732
Other receivables	629,157,036	546,792,027
	1,214,803,790	1,111,550,128
Allowance for impairment	(205,993,099)	(197,612,687)
	1,008,810,691	913,937,441
Non-Current		
Due from officers and employees	69,417,303	101,323,574
Others	1,545,248,819	1,656,463,586
	1,614,666,122	1,757,787,160

	2023	2022
Allowance for impairment	(292,895,721)	(304,813,147)
	1,321,770,401	1,452,974,013

Penalty receivable is broken down as follows:

	2023	2022
Penalty Receivable		
Member loans	547,972,920	527,638,629
Housing loans	6,441	14,219
Rental receivable	1,522,592	656,813
Sales contract receivable	410,918	35,376
	549,912,871	528,345,037
Allowance for impairment	(35,906,947)	(27,526,535)
	514,005,924	500,818,502

Receivable – disallowances/charges are disallowances in audit due from SSS officials and employees which have become final and executory.

Insurance claims receivables pertain to the amounts due from insurance companies for the unpaid pension loan and housing loan balances due to death of pensioner-borrower and member-borrower, respectively.

Due from officers and employees are the amount of claims receivable from SSS officers and employees for PIB refund, car loan, hospitalization and other receivables from officers and employees.

Other receivables consist of accounts such as:

Current

	2023	2022
Sale of financial assets	117,485,126	38,267,256
Supplier's creditable tax	1,413,785	18,180,083
Mutual fund management fee rebate	5,156,571	3,483,515
Private and Government agencies	475,000,000	475,000,000
Others	30,101,554	11,861,173
	629,157,036	546,792,027
Allowance for impairment	(170,086,152)	(170,086,152)
	459,070,884	376,705,875

Non-current

	2023	2022
Receivable from PESO Fund	50,000,000	50,000,000
Receivable from WISP Plus Fund	1,000,000,000	1,000,000,000
Private and Government agencies	495,248,819	606,463,586
	1,545,248,819	1,656,463,586
Allowance for impairment	(282,487,191)	(294,125,782)
	1,262,761,628	1,362,337,804

Other Receivables arising from sale of financial assets pertain to equity securities which have been sold but remain unpaid as of reporting period.

The account *Receivable-Supplier's creditable tax* is debited to recognize the amount of creditable withholding taxes (i.e. expanded withholding tax (EWT) and value-added-tax (VAT) on year-end accrued expenses not yet deducted from the payment to supplier but remittance to BIR in the following month will be advanced by SSS. This account is credited upon payment to supplier.

Rebate on management fees from mutual fund companies represent refunds not yet converted into additional shares as of the reporting period.

Private and government agencies is composed of the receivable from Philippine Guaranty Corporation (PGC) as settlement of Home Guaranty Corporation (HGC) delinquent *accounts*. It also includes the receivable from Waterfront Philippines Inc. (WPI) based on Supreme Court Decision dated September 21, 2022, wherein, the court orders mutual restitution between SSS and WPI.

Others include receivable from e-wallet deposit and receivable from GSIS for the amount paid on insurance coverage of some investment properties subjected to double insurance both to GSIS and a private insurance company. It also includes receivable from a Corporation for the refund of liquidated damages amounting to P28.077 million which was disallowed by the Commission on Audit (COA) based on Notice of Disallowance (ND) No. 2023-01 (2022) dated June 19, 2023.

Receivable from PESO Fund is the amount of seed capital provided to the PESO Fund program for its initial operations.

Receivable from WISP Plus Fund is the amount of seed capital provided to the WISP Plus Fund for its initial operations.

Allowance for impairment on expected credit losses for current and non-current receivables are measured depending on the credit exposures and credit risks. Loan accounts that are current or only up to 30 days past due are classified in Stage 1. Those that are more than 30 days but less than 90 days past due are classified at Stage 2, while those that are already past due for more than 90 days are classified at Stage 3.

Details of allowance for impairment for current and non-current receivables are as follows:

Current

	2023	2022
Loans receivable	2,906,136,352	2,276,572,496
Contributions and premiums receivable	0	0
Interest receivable	406,794,985	397,039,963
Operating lease receivable	60,693,301	75,374,379
Other receivables	205,993,099	197,612,687
	3,579,617,737	2,946,599,525

Non-current

	2023	2022
Loans receivable	4,115,288,896	3,865,451,113
Interest receivable	12,593,356,282	12,593,356,282
Loans receivable—other government corporation	3,106,455,867	3,112,885,894
Sales contract receivable	408,352,083	418,435,945
Receivable – collecting bank/agent	118,313,433	126,154,677
Operating lease receivable	14,982,821	15,440,519
Other receivables	292,895,721	304,813,147
	20,649,645,103	20,436,537,577

Movements in Allowance for Impairment Loss of current and non-current receivables for CY 2023 are as follows:

	Balance, January 1	Additional Provision	Recovery/ Reversal	Balance, December 31
Loans and receivable	22,789,896,370	1,205,030,615	340,229,087	23,654,697,898
Lease receivable	90,814,898	1,002,245	16,141,021	75,676,122
Other receivable	502,425,834	8,409,728	11,946,742	498,888,820
	23,383,137,102	1,214,442,588	368,316,850	24,229,262,840

The impairment provisions as at December 31, 2023 and 2022 amounted to P1.214 billion and P835.727 million, respectively, and are recognized in the books using the guidelines in recognizing and measuring credit impairment set forth in *Note 2.3 a.5* based on the approval of the SSC in its Resolution No. 41-s. 2021.

7. INVENTORIES

This account is composed of the following:

	2023	2022
Office supplies inventory	68,573,867	73,027,691
Accountable forms inventory	4,302,268	3,347,368
Drugs and medicines	7,766	28,111
Medical, dental and laboratory supplies inventory	1,593,994	1,621,948
	74,477,895	78,025,118
Allowance for impairment	(3,052,469)	(10,672,519)
	71,425,426	67,352,599

Supplies and materials issued and recognized as expense during CYs 2023 and 2022 amounted to P131.610 million and P186.364 million, respectively (see *Note 30*).

The amount of allowance for CYs 2023 and 2022 are as follows:

	2023	2022
Office supplies inventory	2,251,328	9,871,378
Accountable forms inventory	801,141	801,141
	3,052,469	10,672,519

8. NON-CURRENT ASSETS HELD FOR SALE

This account is composed of the following:

	Amounts
Carrying amount, January 1, 2023	209,074,641
Accumulated impairment loss	(2,127,276)
Net carrying amount, January 1, 2023	206,947,365
Additions	1,212,099
Transfers	111,849,785
Cancellation/adjustments	23,103,555
Disposals	(91,837,258)
Impairment, net (loss)/recovery	(2,015,415)
Net carrying amount, December 31, 2023	249,260,131

	Amounts
Carrying amount, January 1, 2022	192,660,236
Accumulated impairment loss	(3,999,564)
Net carrying amount, January 1, 2022	188,660,672
Transfers	94,652,736
Cancellation/adjustments	11,216,611
Disposals	(87,785,875)
Impairment, net (loss)/recovery	203,221
Net carrying amount, December 31, 2022	206,947,365

The non-current asset held for sale is measured at the lower of carrying amount and of fair value less cost to sell. The fair value is measured based on the assessment of internal/external expert, non-recurring and is level 2 and 3 based on the level of fair value hierarchy. The NCAHFS is originally intended to be disposed for a period of one (1) year. However, if the sale of the asset is extended beyond one year, the extension of the period required to complete the sale on the asset does not preclude an asset being classified as held for sale if the delay is caused by the event or circumstances beyond entity's control and there is sufficient evidence that it remains committed to sell the asset. As at December 31, 2023, the impairment loss of P1.822 million and recoveries/reversals of impairment of P0.015 million are recognized in profit or loss.

Had there been no impairment, the carrying amount of the NCAHFS as at December 31, 2023 and 2022 are as follows:

	2023	2022
Acquired assets/registered	251,144,105	209,074,641
	251,144,105	209,074,641

NCAHFS includes real and other properties acquired which are held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. As at December 31, 2023, SSS has sold 119 properties through

cash and installment bases generating gain on sale of P108.218 million, which forms part of the P788.205 million gains generated for CY 2023 (see *Note 26*).

NCAHFS/ROPA can be leased out momentarily while waiting for its sale to maximize its potential income. As at December 31, 2023, 74 ROPA Acquired Asset properties with a total book value of P67 million are being leased out under a cancellable lease contract that can be terminated anytime without any penalty imposed to SSS. Rental income recorded as at December 31, 2023 and 2022 amounted to P26.959 million and P19.357 million, respectively.

NCAHFS properties that are unsold for more than one year with carrying book value of P56.885 million were reclassified to Investment Property based on the Guidelines on the Classification, Reclassification and Recording of SSS Real Estate Properties approved by the SSC on June 10, 2020 under Resolution No. 292-s. 2020 and P168.735 million book value of IP registered accounts were consolidated and transferred to NCAHFS. There are no transfers or sale of NCAHFS to government and non-profit organizations. All properties were sold to private individuals (see *Note 10*).

9. OTHER CURRENT ASSETS

This account is composed of the following prepayments:

	2023	2022
Prepayments		
Prepaid benefit expense	8,131,776,712	6,792,657,925
Advances to contractors/suppliers	2,051,158	12,000,000
Prepaid rent	2,495,128	469,588
Prepaid insurance	2,700	751,454
Other prepayments	4,059,607	1,083,840
	8,140,385,305	6,806,962,807

Prepaid benefit expense refers to the first 18 monthly retirement pension in lump sum paid to SSS members who opted to avail themselves of the advance retirement benefits. This was approved per SSC Resolution No. 161-s. 2021 (see *Note 2.13*) and retrospectively applied in the prior year.

Advances to contractors/suppliers represents the P3.0 million cash deposit to Procurement Service (PS)-Philippine Government Electronic Procurement System (PhilGEPS) intended for the Government Fares Agreement (GFA) and P9.0 million fund deposit to E-Wallet of Virtual Store. This is an initiative of the DBM and the PS-PhilGEPS that will ensure fast, efficient, flexible and savings in time, energy and money when processing the air transportation needs of all government officers and personnel of their domestic trips.

Other prepayments include advance payment for 2023 real estate tax and creditable withholding tax at source from rental or other services deducted by an entity designated by BIR as authorized agent.

10. INVESTMENT PROPERTY

This account is composed of the following:

	Land	Building	Development Cost	Total
Balance at January 1, 2023	75,647,787,807	9,357,170,466	9,685,838	85,014,644,111
Transfers	(111,849,785)		(9,685,838)	(121,535,623)
Additions	91,972,523			91,972,523
Disposals	(83,392,953)			(83,392,953)
Adjustments	(17,344,722)			(17,344,722)
Fair value gain (loss)	911,912,484	(69,898,029)		842,014,455
Balance at December 31, 2023	76,439,085,354	9,287,272,437	0	85,726,357,791

	Land	Building	Development Cost	Total
Balance at January 1, 2022	70,415,119,094	8,651,843,248	9,685,838	79,076,648,180
Transfers	(94,652,736)	0	0	(94,652,736)
Additions	79,185,102	33,950,147	0	113,135,249
Disposals	(1,358,785,010)	(49,275,312)	0	(1,408,060,322)
Adjustments	(15,210,040)	0	0	(15,210,040)
Fair value gain	6,622,131,397	720,652,383	0	7,342,783,780
Balance at December 31, 2022	75,647,787,807	9,357,170,466	9,685,838	85,014,644,111

The costs of investment properties (IP) as at December 31, 2023 and 2022 are P13.196 billion and P13.223 billion, respectively. The decrease in the cost of IP in 2023 was due to the transfer of IP registered accounts with book value of P168.735 million to NCAHFS, wherein the Transfer Certificates of Title (TCT) were already transferred in the name of SSS, while NCAHFS amounting to P56.885 million which remained unsold for more than one year were transferred to IP (see *Note 8*) and sale of Bella Villa and Pryce Center Makati and the derecognition of the Green Meadows property based on Supreme Court notice dated September 21, 2022, which resolves to deny reconsideration with finality on GR No. 249337 dated July 6, 2021.

Included in the IP account are 11 Raja Santa properties in General Tinio, Nueva Ecija that were offered to the Department of Agrarian Reform (DAR) under the Voluntary Offer to Sell (VOS) scheme of the Comprehensive Agrarian Reform Program (CARP) per SSC Resolution No. 281-s. 2006 dated July 19, 2006. As per records of the Municipal Assessor and the Municipal Agrarian Reform Program Officer of General Tinio, Nueva Ecija, of the 11 lots, eight (8) were already awarded to the beneficiaries. The remaining three (3) lots which are still in the name of the SSS and the ROPA Acquired Assets Division (ROPAAAD) are in the process of requesting from the Register of Deed for the Province of Nueva Ecija the copies of the Certified True Copy (CTC) of the title for the preparation of the request for payment of the land transfer claim of the SSS. Meanwhile, there is a Just Compensation Case still pending in the Regional Trial Court of Cabanatuan to determine the amount paid to the SSS. On April 11, 2023 RTC Branch 23 of Cabanatuan City with the manifestation of the SSS and LBP ordered that the case was sent to Archives to give way on the ongoing settlement in order for the case not to appear pending for indefinite period of time.

The following amounts are recognized in the Statement of Comprehensive Income:

	2023	2022
Net gain on fair value adjustment	842,014,455	7,342,783,779
Rental income	1,212,795,643	1,216,727,488
Penalty on rentals	4,259,856	5,170,883
Gain/loss on sale/disposal	29,923,559	33,066,286
Investment expenses	(73,140,532)	(46,475,930)
Impairment loss – rental and penalty receivable	(557,087)	(185,191)
	2,015,295,894	8,551,087,315

The rentals or sale proceeds on the investment properties are subject to the restriction provided under Sections 25 and 26 of RA No. 11199 which states that three (3) per cent of other revenues shall be used for administrative and operational expenses. All revenues that are not needed to meet the current administrative and operational expenses shall be accumulated in the Investment Reserve Fund. As at December 31, 2023, there were 90 investment properties sold which generated a net gain of P29.924 million.

The impairment loss – rental and penalty receivable increased from P0.185 million in 2022 to P0.557 million in 2023 primarily due to the increase in number of delinquent accounts.

Part of the direct operating expenses incurred were for the investment properties as at December 31, 2023 and 2022 amounting to P69.309 million and P 40.792 million, respectively.

11. PROPERTY AND EQUIPMENT

This account is composed of the following:

	Land	Land Improvement	Buildings and building/ leasehold improvements	Furniture and equipment, transportation equipment, computer hardware and others	Construction in progress	Total
Cost						
Balance at January 1, 2023	7,069,778,600	20,714,232	1,456,394,333	2,997,057,283	11,304,158	11,555,248,606
Additions	0	0	0	217,215,427	15,430,774	232,646,201
Transfers	0	0	13,122,238	0	(13,122,238)	0
Retirement/cancellations/ disposal/adjustments	0	0	(2,268,848)	(457,839,497)	(168,833)	(460,277,178)
Balance at December 31, 2023	7,069,778,600	20,714,232	1,467,247,723	2,756,433,213	13,443,861	11,327,617,629
Accumulated depreciation						
Balance at January 1, 2023	0	14,714,478	935,914,961	2,082,978,346	0	3,033,607,785
Depreciation Expense	0	1,113,486	59,539,504	266,745,181	0	327,398,171
Retirement/cancellations/ disposal/adjustments	0	0	(2,155,406)	(396,095,207)	0	(398,250,613)
Balance at December 31, 2023	0	15,827,964	993,299,059	1,953,628,320	0	2,962,755,343
Accumulated impairment loss						
January 1, 2023	0	345,844	89,035,690	0	0	89,381,534
December 31, 2023	0	345,844	89,035,690	0	0	89,381,534
Carrying amount, December 31, 2023	7,069,778,600	4,540,424	384,912,974	802,804,893	13,443,861	8,275,480,752

	Land	Land Improvement	Buildings and building/ leasehold improvements	Furniture and equipment, transportation equipment, computer hardware and others	Construction in progress	Total
Cost						
January 1, 2022	7,069,778,600	20,714,232	1,458,809,056	3,747,562,504	60,370,681	12,357,235,073
Additions	0	0	0	250,953,388	0	250,953,388
Transfers	0	0	3,014,955	0	(49,066,523)	(46,051,568)
Net revaluation increase	0	0	0	0	0	0
Retirement/cancellations/ disposal/adjustments	0	0	(5,429,678)	(1,001,458,609)	0	(1,006,888,287)
December 31, 2022	7,069,778,600	20,714,232	1,456,394,333	2,997,057,283	11,304,158	11,555,248,606
Accumulated depreciation						
January 1, 2022	0	13,953,592	914,093,184	2,598,590,987	0	3,526,637,763
Depreciation Expense	0	760,886	33,590,634	267,524,117	0	301,875,637
Transfers	0	0	(8,479,233)	0	0	(8,479,233)
Retirement/cancellations/ disposal/adjustments	0	0	(3,289,624)	(783,136,758)	0	(786,426,382)
December 31, 2022	0	14,714,478	935,914,961	2,082,978,346	0	3,033,607,785
Accumulated impairment loss						
January 1, 2022	0	345,844	89,400,625	0	0	89,746,469
Impairment loss/(recovery)			(364,935)	0	0	(364,935)
December 31, 2022	0	345,844	89,035,690	0	0	89,381,534
Carrying amount, December 31, 2022	7,069,778,600	5,653,910	431,443,682	914,078,937	11,304,158	8,432,259,287

Among the Property and Equipment, only land is subject to revaluation. Revaluation was performed by an independent appraiser as of December 31, 2021. Any increase in the value of the land as a result of revaluation is recorded under property revaluation reserves while a decrease is recognized as an expense to the extent that it exceeds any amount previously credited to property valuation reserve. The balance of the property revaluation reserves as at December 31, 2023 and 2022 is P6.573 billion and is not subject to any appropriations as at end of the reporting period.

If land were stated on the historical cost basis, its carrying amount as at December 31, 2023 and 2022 is P534.062 million.

Rental income from a portion of five (5) property and equipment under a cancellable lease agreement as at December 31, 2023 and December 31, 2022 which amounted to P14.199 million and P 7.990 million, respectively, were included in the Statement of Comprehensive Income. The portion under lease cannot be sold separately and is insignificant, thus, remains as Property and Equipment.

As at December 31, 2023 and 2022, the total carrying amount of fully depreciated property and equipment that are still in use are P38.693 million and P74.728 million, respectively.

Included in the property and equipment account are ten (10) artwork items with original cost of P1.370 million. SSS artwork items are classified as office artwork and recorded at cost based on SSS Office Order No. 2020-004.

12. INTANGIBLE ASSETS

This account is composed of the following:

	2023	2022
Cost		
Balance at January 1	947,989,095	795,608,277
Additions	35,198,198	158,096,602
Retirement/disposals/cancellation	(2,338,918)	(5,715,784)
Balance at December 31	980,848,375	947,989,095
Accumulated amortization		
Balance at January 1	654,206,242	625,718,464
Amortization charge for the period	61,335,700	34,203,563
Retirement/disposals/cancellation	(21,190,069)	(5,715,785)
Balance at, December 31	694,351,873	654,206,242
Accumulated impairment loss		
Balance at January 1	49,896,000	49,896,000
Balance at, December 31	49,896,000	49,896,000
Net book value, December 31	236,600,502	243,886,853

Intangible assets with definite and indefinite life include both computer software and licenses. The carrying amount of intangible assets with indefinite life as at December 31, 2023 and 2022 are P50.311 million and P60.699 million, respectively. All intangibles with definite life are amortized either over a period of five years or with 20 per cent annual amortization rate. As at December 31, 2023 and 2022, the total cost amount of fully depreciated/amortized intangible assets that are still in use are P565.617 million and P602.389 million, respectively.

13. RIGHT-OF-USE ASSETS

This account is composed of the following:

	2023	2022
Cost		
Balance at January 1	1,481,773,672	1,383,881,514
Additions	127,778,363	273,362,969
Retirement/cancellations/disposals/adjustments	(130,160,754)	(175,470,811)
Balance at December 31	1,479,391,281	1,481,773,672
Accumulated depreciation		
Balance at January 1	776,059,293	647,349,075
Depreciation expense	287,041,192	273,221,753
Retirement/cancellations/disposals/adjustments	(125,047,683)	(144,511,535)
Balance at December 31	938,052,802	776,059,293
Carrying amount, December 31	541,338,479	705,714,379

The SSS recognizes the ROU Assets for the right to use the underlying leased asset. ROU assets are depreciated each year on a straight-line basis over the term of the lease (see *Note 16*).

14. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2023	2022
Deposits	100,688,331	99,649,492
Other assets	278,118,488	295,860,093
	378,806,819	395,509,585
Allowance for impairment – other assets	(63,183,898)	(71,234,308)
	315,622,921	324,275,277

Deposits account is recognized for the amount of deposits for telephone lines, water connection services, meter deposits, and office rental deposits.

Other assets account consists of fire insurance premium (FIP), mortgage redemption insurance (MRI) advanced by SSS for properties mortgaged to the SSS, advances for foreclosure proceedings and property taxes. The decrease in the allowance for impairment is due to full payment of housing loan accounts.

15. FINANCIAL LIABILITIES

This account consists of the following:

	2023	2022
Accounts payable	836,099,658	1,158,861,922
Accrued operating expenses	1,371,139,389	2,043,011,860
Accrued benefit payable	214,804,504	425,603,474
Claims pay-out payable	2,831,602	2,918,577
Interest payable	74,655,654	72,505,992
	2,499,530,807	3,702,901,825

Accounts payable and *Accrued operating expenses* comprise of SSS' obligations payable to members, suppliers, employees and officials and loan overpayments for refund to member-borrowers.

Accrued benefit payable represents the SSS obligation to members for retirement pension benefit claims. This includes the accrual of benefit expenses for sickness, maternity, unemployment, retirement, disability, death and funeral benefits based on SSC Resolution No. 161-s. 2021 dated April 8, 2021.

Claims pay-out payable pertains to unpaid insurance claims of policyholders composed of premium liability, fire/earthquake claims incurred but not yet paid and incurred but not yet reported.

Interest payable pertains to SSS' obligation to Waterfront Philippines, Inc. (WPI), representing the amount of interest expense that has accrued to date but has not been paid as of the date of financial statements.

16. LEASE PAYABLE

This account represents the lease liability for the right to use the underlying lease asset up to the end of the lease contract in accordance with PFRS 16, details follow:

	2023	2022
Balance at January 1	794,857,094	824,551,579
Setup/Additions	127,778,364	273,362,969
Lease payments	(282,386,950)	(265,188,962)
Retirement/cancellation/adjustments	(16,072,386)	(37,868,492)
Balance at December 31	624,176,122	794,857,094
Current lease liabilities	271,913,556	279,942,316
Non-current lease liabilities	352,262,566	514,914,778

The associated right-of-use assets in *Note 13* are measured at the amount equal to the lease liability at initial set-up, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

SSS as a lessee maintains 142 lease contracts with variable terms ranging from more than one year to 10 years that are recognized as assets and liability, while four contracts with terms of less than one year are recognized as an operating expense.

17. INTER-AGENCY PAYABLES

This account is composed of the following:

	2023	2022
Due to BIR	148,712,035	425,208,841
Due to GSIS	107,131,539	306,950,797
Due to PhilHealth	18,658,857	45,152,527
Due to Pag-IBIG	8,916,200	9,249,106
Due to SSS	4,662,250	2,185
Due to LGU	48	0
	288,080,929	786,563,456

Due to BIR includes among others, Value-added Tax (VAT) payable, other taxes withheld for remittance and that were included/deducted in December 2023 to be remitted on January 2024. The VAT exemption of SSS was repealed by Section 86 of RA No. 10963, also known as the Tax Reform for Acceleration and Inclusion (TRAIN) effective January 1, 2018.

This account includes withholding taxes, contributions to GSIS, Philippine Health Insurance Corporation (PHIC), HDMF and loan amortization due to SSS which were deducted from the payroll of SSS employees.

18. TRUST LIABILITIES

This account is composed of the following:

	2023	2022
Funds held in trust		
Officials and employees	521,495,940	510,391,324
Borrowers and other payors	47,253,206	13,395,433
Suppliers and creditors	2,430,954	4,906,174
SSS provident fund and medical insurance	3,505,538	46,506,964
Dividends – stock investment loan program	649,767	649,767
Flexi-fund	14,392,958	14,392,958
Customers' deposits payable	286,852,397	287,140,087
Guaranty/security deposits payable	219,020,218	220,176,900
Payable to WISP Fund	84,655,411,228	36,734,224,752
Payable to Flexi Fund	1,256,911,669	1,317,871,835
Payable to WISP Plus Fund	468,752,199	1,335,258
Payable to Peso Fund	188,347,747	186,830,890
	87,665,023,821	39,337,822,342

Funds held in trust (FHT) from officials and employees include amounts deducted from employees' payroll other than mandatory deductions such as provident fund contributions, loan amortization repayments, association dues, etc. and are remitted the following month to private entities. It also includes among others the amounts deducted from their separation/retirement claims for the benefits received but subsequently disallowed in audit which as at December 31, 2023 and 2022, amounted to P494.218 million and P448.076 million, respectively.

FHT from borrowers and other payors are payments received for rental deposits from tenants, and surety bonds from collecting agents and are refunded after expiration of the contract.

FHT from suppliers and creditors are payments of liquidated damages from suppliers and contractors with protest and sale of bid deposits to bidders. Amounts are utilized or refunded to suppliers if the protest is reconsidered and approved. Collections on sale of bid documents are utilized for payment of expenses of the Bid and Awards Committee (BAC) such as the payment of honoraria to BAC members. Unutilized amounts are recorded as miscellaneous income.

Dividends-stock investment loan program represents the cash dividend received from various companies by SSS for distribution to members/borrowers who availed the Stock Investment Loan Program (SILP).

SSS provident fund and medical insurance represents the SSS' share in the premium contribution and medical insurance of employees and officials and foreign representatives, respectively.

Flexi-fund represents the allocation of 10 per cent of net income on Flexi-fund investments by SSS as program administrators for the purpose of allocating funds to intensify program promotion and enhance delivery service.

Guaranty/security deposits payable are composed of bidder's deposits, performance or cash bonds and retention money from collecting agents and/or winning bidders in the *procurement* of goods and services, infrastructure and consultancy services.

Customers' deposits payable are rental deposits of tenants leasing the SSS properties.

Trust liabilities include the contributions and earnings of *Flexi Fund, PESO Fund, WISP and WISP Plus Fund members*. Guaranteed earnings are computed based on SSS' short term peso placement rate or 91-day Treasury Bill rate, whichever is higher for Flexi Fund, and for PESO Fund, based on the 5-year Treasury Bond rate and 364-day Treasury Bill rate.

19. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	2023	2022
Current		
Output tax	36,894,443	793,421
Unearned rental income	101,329,541	70,204,938
	138,223,984	70,998,359
Non-current		
Unearned income – Unrealized gain-bond	248,509,501	275,360,171
	386,733,485	346,358,530

The output tax is the VAT of SSS for its properties under lease while unearned rental income represents advance rental payments from tenants of SSS properties.

The non-current unearned income represents unrealized gain from SSS participation in the Republic of the Philippines Domestic Debt Consolidation Program (Bond Exchange) 2011 and 2014, and Liability Management Program (Bond Exchange) 2015.

20. PROVISIONS

This account consists of the following:

	2023	2022
Leave benefits payable	1,923,147,633	882,939,516
Pension benefits payable	274,920,763	268,988,135
Retirement gratuity payable	28,691,057	28,691,057
Other provisions	280,136,330	202,508,452
	2,506,895,783	1,383,127,160

Pension benefits payable represents accrual of compulsory retirement benefit pension already entitled but not yet filed or incurred benefits but not yet reported (IBNR) based on the policy guidelines set forth in *Note 2.13*.

Leave benefits payable represent 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. As at December 31, 2023, there were

4,379 employees who availed themselves of the monetization of leave credits with a total amount of P366.763 million.

Retirement gratuity payable is available to qualified employees under any one of RA No. 1616, RA No. 660 and RA No. 8291. Under RA No. 1616, SSS, as the last employer of the qualified employees, pays the gratuity benefit of those who opt to retire under the said law. Benefits under RA No. 660 and RA No. 8291 are paid by GSIS. Thus, the liability only pertains to RA No. 1616.

Other provisions pertain to Retirement Incentive Award (RIA) given to employees with at least 20 years of creditable service and are entitled to P5,000 for every year of service upon retirement. As at December 31, 2023, 218 employees were given RIA in the total amount of P36.187 million.

The provision of the SSS' defined benefit obligation is prepared in accordance with the Philippine Accounting Standards (PAS) 19. The defined benefit obligations represent the SSS' liabilities for the post-employment benefits of its employees. It is calculated using the Projected Unit Credit Method (PUCM), the valuation method prescribed under PAS 19. Using this method, the present value of SSS' defined benefit obligations (PV DBO) and related current service costs were calculated with the assumption that each period of service gives rise to an additional unit of benefit entitlement and measures each unit separately in building up the final obligation. For CY 2023, there was no recorded provision for retirement gratuity.

Aside from financial assumptions, demographic assumptions were also used in the calculations. These include the assumptions on mortality, disability, and turnover/separation of the employees. The mortality assumptions refer to the probability of death of an employee while the disability assumptions refer to the probability of an employee being disabled. The employee turnover assumptions take into account the probability of an employee leaving employment due to causes other than death (e.g., resignation, retirement, etc.).

No separate fund was established for the payment of terminal leave benefits of SSS employees. Payments are sourced from the common fund.

21. INSURANCE CONTRACT LIABILITY

	2023	2022
Social Security Fund (SSF)	8,591,234,269,869	8,066,715,313,607
Employee's Compensation (EC) Fund	43,716,609,019	40,975,309,572
	8,634,950,878,888	8,107,690,623,179

Movements in Insurance Contract Liability (ICL) are as follows:

	SSF	EC-SIF	Total
Balance at January 1, 2023	8,066,715,313,607	40,975,309,572	8,107,690,623,179
Provision	524,518,956,262	2,741,299,447	527,260,255,709
Balance at December 31, 2023	8,591,234,269,869	43,716,609,019	8,634,950,878,888

	SSF	EC-SIF	Total
Balance at January 1, 2022	7,591,297,256,634	38,283,091,820	7,629,580,348,454
Provision	475,418,056,973	2,692,217,752	478,110,274,725
Balance at December 31, 2022	8,066,715,313,607	40,975,309,572	8,107,690,623,179

Insurance contract liability (ICL) is a social benefit liability (SBL) recognized in compliance with DOF's policy directive requiring government insurance institutions (GIIs) falling under its supervision to adopt PFRS 4, the adoption of which was approved by the SSC under Resolution No. 123-s. 2021 dated March 10, 2021. It is computed based on six per cent discount rate considering SSS' past investment performance, which considered the following: (a) past performance of SSS' investment assets; (b) collectability of its loan receivables; and (c) forward-looking view of the portfolio performance or outlook on SSS' investments and market conditions.

ICL is the sum of the present value of future benefits and expenses, less the present value of future contributions discounted at the appropriate risk-free discount rate. Actuarial valuation methodology and assumptions are discussed in *Note 22*.

22. OTHER PAYABLES

This account is composed of collections not yet distributed as follows:

	2023	2022
Current		
Member loan collections	1,196,701,861	465,368,378
Sales Contract Receivables collections	77,231,865	70,604,192
OFW collections	16,502,769	16,519,409
Undistributed collections	326,464	594,553
Real estate loan collections	63,518	671,094
Rental collections	790,366	408,158
EALP collections	159,192	41,157
	1,291,776,035	554,206,941
Non-current		
Other payables	1,050,000,000	1,050,000,000
	2,341,776,035	1,604,206,941

On *Member loan collections*, the balance of unposted collections for CY 2023 amounting to P1.197 billion, which includes P263.878 million collected through deductions from DDR benefits, was higher than CY 2022 unposted collections of P465.368 million due to employer payments with no collection list submitted and overpayment not posted to in current loans.

Sales Contract Receivables collections are collections for the sale of acquired assets that have not yet been posted to individual buyers' account pending receipt of documents of approved sale. These consist of down payments and monthly amortizations.

OFW collections are remittances from OFWs which are unidentified as of the date of remittance and are reclassified after validation.

The *Undistributed collections* are various collections not yet been posted to subsidiary ledgers of members/ borrowers' and to proper accounts' pending receipt of collecting agencies'/employers' documents and actual distribution of collections and payments whose nature is not indicated by payors.

Since November 2020, SSS has been sending loan billing notices to member-borrowers and employers. This loan billing statement or notice contains a corresponding PRN as part of the Real-Time Processing of Loans (RTPL) program. Individual members and employers must present the PRN when paying at SSS branches with Automated Telling System or any RTPL-compliant partner. The PRN helps facilitate the immediate and correct posting of loan payments matched to their loan accounts.

Rental Collections are payments from lease rentals of tenants of SSS properties received from SSS tellering branches and collecting banks/agents that have not yet been posted to subsidiary ledgers of tenants.

The non-current portion of *Other Payables* includes the P50 million seed money to fund the initial investment activities of the PESO fund. The SSC in its Resolution No. 140-s. 2021 dated March 24, 2021, approved the extension of the use of the money until the liquidation of the SSS PESO Fund upon the implementation of the New Voluntary Provident Fund Program but pending the approval of the transition guidelines. Further, pursuant to SSC Resolution Nos. 209-s. 2022 and 513-s. 2022, the seed capital of P100 million and P900 million, respectively, was approved to fund the initial investment activities of the New Voluntary Provident Fund (NVPF) Program.

23. DEFICIT

The SSS Equity consists of the following:

	2023	2022
Reserve fund	(7,808,652,374,190)	(7,362,775,569,903)
Cumulative changes in fair value	(40,496,075,438)	(26,055,867,446)
Revaluation surplus	6,572,652,754	6,572,652,754
	(7,842,575,796,874)	(7,382,258,784,595)

23.1 Reserve fund

The reserve fund consists of the following:

	2023	2022
Reserve fund/Retained earnings	826,302,264,437	744,919,147,388
Reserved fund - policy reserves	(8,634,954,638,627)	(8,107,694,717,291)
	(7,808,652,374,190)	(7,362,775,569,903)

Details of policy reserves are as follows:

	2023	2022
SS Fund	(8,591,234,269,869)	(8,066,715,313,607)
EC Fund	(43,716,609,019)	(40,975,309,572)
MIA Fund	(3,759,739)	(4,094,112)
	(8,634,954,638,627)	(8,107,694,717,291)

The financial statements have been prepared on a going concern basis, which assumes that the SSS will be able to meet the mandatory payment of members' benefits and operational expenses.

The SSS has recognized a net profit of 83.131 billion for the year ended December 31, 2023, before the recognition of net change in policy reserves of P527.260 billion, due to adoption of PFRS 4, and as at that date, total assets amounted to P897.069 billion. However, as described in *Note 20*, there is a significant increase in liability as the SSS recognized the social benefit liability to its members.

Management believes that the payment of benefits will remain as usual and is confident that it will operate until 2054 as projected by Actuarial experts. The implementation of the new contribution rates and the increase in the Monthly Salary Credit to P30,000 effective January 01, 2023, helped sustain its operations and that will be sufficient to meet operational requirements. Furthermore, under RA No. 11199, otherwise known as the Social Security Act of 2018, Section 21, the Philippine Government guarantees that all the benefits prescribed in the RA shall not be diminished and it accepts general responsibility for the solvency of the System.

Management acknowledges that uncertainty remains over the ability of SSS to meet its funding requirements to pay its members' benefits and operational expenses. However, as described above, Management has a reasonable expectation that the SSS has adequate resources to continue in operational existence for the foreseeable future.

As administrator of the SIF, SSS remits to ECC and its Center 70 per cent of the annual COB of ECC approved by the DBM, details below:

	2023	2022
ECC	273,237,825	224,182,488
Center-OSHC	123,379,029	124,382,738
	396,616,854	348,565,226

Investment Reserve Fund (IRF)

All revenues of 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 that is 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 to earn an annual income not less than the average rate of treasury bills or any other

acceptable market yield indicator in any or in all of the undertaking, under such rules and regulations as may be prescribed by the SSC.

No portion of the IRF or income thereof shall accrue to the general fund of the NG or to any of its agencies or instrumentalities, including government-owned or controlled corporations, except as may be allowed under the SS Act of 2018. 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: 60 per cent in private securities, 5 per cent in housing, 30 per cent in real estate related investments, 25 per cent in short and medium-term member loans, 30 per cent in government financial institutions and corporations, 15 per cent in any particular industry and 7.5 per cent in foreign-currency denominated investments, 5 per cent in private-sponsored infrastructure projects without guarantee, 5 per cent in private and government-sponsored infrastructure projects with guarantee, 5 per cent in private and government-sponsored infrastructure projects.

As at December 31, 2023, all investment categories are within the SSS charter limits of RA No. 11199.

Actuarial Valuation of the Reserve Fund of the SSS

The SS Act of 2018 requires the SSS Actuary to submit a valuation report every three 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. Economic factors on which assumptions are made include interest rates, inflation rates and salary wage increases. With these and other assumptions, and taking into account the uncertainty of future events, the liability and life of the fund is projected.

The latest 2019 Actuarial Valuation of the Social Security Fund (SSF) adheres to the International Standard of Actuarial Practice 2 – Financial Analysis of Social Security Programs as issued by the International Actuarial Association (IAA). This standard has been supported within the International Social Security Association (ISSA) and the International Labour Organization (ILO). It provides actuaries performing the valuation of social security programs the guidance to give intended users confidence that actuarial services are carried out professionally and with due care; the results are relevant to their needs and are presented clearly and understandably; and the assumptions and methodology used are disclosed appropriately. It also promotes the development of consistent actuarial practice for social security programs throughout the world.

The Actuarial Valuation estimates the SSF life and liabilities using an open group projection method, where members who will join the System in the future are considered in the projection of revenues and expenditures. The SSS program, as with other social security schemes, was designed such that the contributions of the current paying members fund the benefits of the current pensioners; hence, there is income transfer across generations. With the continuous membership of future generations into the System, the benefits of the current and future pensioners are continuously funded by the

contributions of the former; hence, the open-group projection method is appropriate in assessing the sustainability of the SSS program.

However, SSS has transitioned to PFRS 4 on the reporting of its financial condition, starting with the 2020 Financial Statement. Valuation standards set by the Insurance Commission are to be applied, where the life insurance policy reserve shall be valued, where appropriate, using gross premium valuation. Unlike the open group projection method used in the Actuarial Valuations, the gross premium valuation applies a closed group projection method, which only considers the existing members up to end of reporting date while continuing their contribution up to a certain date. The liability computed with this approach is highly theoretical, as it is only truly meaningful for a program that is intended to be fully funded. Nevertheless, it provides an insight as to the magnitude of the liability of a program that is designed to be partially funded, such as the SSS program.

In the gross premium valuation used under the closed group projection method, the Social Benefit Liability (SBL) is computed as the sum of the present value of future benefits and expenses, less the present value of future contributions discounted at the appropriate risk-free discount rate. In contrast, under the open group projection method, assets are deducted from the liability to estimate the unfunded liability.

The Valuation using the closed group projection method was conducted for the reporting date of December 31, 2023, December 31, 2022, and December 31, 2021. The cut-off date for actual membership and demographic data is December 31, 2018. These existing members together with new entrants up to the end of reporting date, who continue their contribution up to a certain date, were considered in the projections.

As shown in the following table, the computed social benefit liabilities at a discount rate of 6 per cent are computed at P8.591 trillion as of December 31, 2023, P8.067 trillion as of December 31, 2022, and P7.591 trillion as of December 31, 2021.

Social Security Fund
Summary of Social Benefit Liability
Closed Group Projection
(Amount in Trillion Pesos)

	As at December 31, 2023	As at December 31, 2022	As at December 31, 2021
Social Benefit Liability at 6% discount rate	8.591	8.067	7.591

Meanwhile, the comparison of the liabilities computed under the open and closed group projection methods is presented in the following table.

**2019 Actuarial Valuation
Social Security Fund
Comparison of Key Projection Results
Open Group versus Closed Group
(Amount in Trillion Pesos)**

Key Projection Results	Open Group (A)	Closed Group (B)
Year of Reserve Exhaustion	2054	
Year Net Revenue Becomes Negative	2045	
Liability Computation (Discount rate = 6 per cent)	(As at Dec. 31, 2023)	(As at Dec. 31, 2023)
Social Benefit Liability	7.829	8.591
Reserves	0.816	
Unfunded Liability	7.013	

Globally, the valuation of a social security scheme is more commonly conducted using the open-group method and has financial indicators as outputs which provide information on the future evolution of costs and on the capacity of the scheme to support them in the long term. One such financial indicator is the year of reserve exhaustion, also known as Fund Life, which presents the number of years the scheme may continue to operate without any changes being made to the legislated contribution rate¹. For the SSF, this year is projected to be in 2054.

The SBL as of December 31, 2023 is at P8.591 trillion, computed using the closed group method. Meanwhile, using the open group method, the liability is at P7.829 trillion. As expected of a partially funded program, the liability under the closed group method is larger than that from the open group method.

Instead of a seriatim approach, these projections apply a portfolio approach, which is appropriate and practical, considering the magnitude of SSS membership data. Lapse assumptions are implicitly considered as well, in the form of density assumptions, probability of contribution payment in a given year, and movement among contributing and non-contributing groups. Margin for Adverse Deviation (MfAD) was applied, with the conservative scenario of the Valuation used as basis in the liability computations. Meanwhile, these projections already incorporated the scheduled contribution increases up to 15 per cent in 2025 as mandated by RA No. 11199 (Social Security Law of 2018). Note that the projections do not reflect yet the potential impact of the COVID-19 pandemic on the SSS social security program.

The magnitude of the liabilities 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. During the period from 1980 to 2016, pensions were increased through across-the-board pension increases of up to 20 per cent (22 times) and increases in minimum pension amount through RA No. 8282; MSC ceiling was also increased 12 times. The contribution rate, on the other hand, only increased 4 times

¹ Pierre Plamondon, et al., *Actuarial Practice in Social Security* (Geneva: International Labor Organization, 2002).

during the same period, from 8 per cent to 8.4 per cent in 1980, 8.4 per cent to 9.4 per cent in 2003, then to 10.4 per cent in 2007, and finally to 11 per cent in 2014.

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 conducted regularly, the results of which serve as basis of recommendations for policy reforms. The recommendations mentioned in the valuations include raising the contribution rate, improving the contribution collection, increasing the minimum and maximum MSC, revisiting the pension formula, reviewing the qualifications for eligibility for long-term benefits, raising the retirement age, and exploring other means to improve the adequacy of benefits. 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.

Actuarial Valuation of the Reserve Fund of Employees' Compensation (EC)

SSS manages the Employees' Compensation Program (ECP), which provides social protection against work-related sickness, injury or death, for private sector workers and household helpers who are compulsory members of SSS. Starting 2019, self-employed members were added to the coverage of the program. With the ECP providing coverage to the same members covered under the SS Law, the Actuarial Valuation of the Social Security (SS) Fund then serves as basis for the conduct of the EC Actuarial Valuation. The data, actuarial bases and assumptions, as well as methodology used in the EC Valuation are similar to that used in the SS Actuarial Valuation.

The 2019 EC Actuarial Valuation is the latest conducted valuation, which was used as basis for the computation of liabilities. And, similar to the SS Actuarial Valuation, the EC Actuarial Valuation applies the open group projection method, where members who will join the System in the future are considered in the projection of revenues and expenditures.

However, in the transition of the reporting of the financial condition to PFRS 4, the liability for the EC Fund is computed using the closed group projection approach, the same thing that occurred to the SS Fund. In particular, the closed group projection approach of gross premium valuation was applied, where the members that were considered are only those existing members up to the end of reporting date while continuing their contribution up to a certain date. The reporting dates considered were December 31, 2023, December 31, 2022, and December 31, 2021.

The 2018 data on SSS employed members and household helpers was used for the EC Valuation. To apply the closed group methodology in this Valuation, new entrants who enter up to year 2023, 2022 or 2021 were included, as applicable to the reporting date. Starting 2019, self-employed members were included in the projections.

The following table presents the computed liability of P43.717 billion as at December 31, 2023, P40.975 billion as of December 31, 2022, and P38.283 billion as of December 31, 2021, at a discount rate of 6 per cent.

**Employees' Compensation Fund
Summary of Social Benefit Liability
Closed Group Projection Method
(Amount in Billion Pesos)**

	As at December 31, 2023	As at December 31, 2022	As at December 31, 2021
Insurance Contract Liability at 6% discount rate	43.717	40.975	38.283

The comparison of the liabilities computed under the open and closed group projection methods is presented in the following table.

**2019 EC Actuarial Valuation
Comparison of Key Projection Results
Open Group versus Closed Group
(Amount in Billion Pesos)**

Key Projection Results	Open Group (A)	Closed Group (B)
Year of Reserve Exhaustion	Beyond 2080	
Year Net Revenue Becomes Negative	Beyond 2080	
Liability Computation (Discount rate = 6 per cent)	(As at Dec. 31, 2023)	(As at Dec. 31, 2023)
Social Benefit Liability	15.053	43.717
Reserves	31.963	
Unfunded Liability	(16.910)	

For the EC Fund, the year of reserve exhaustion is projected to be beyond 2080.

The SBL as at December 31, 2023 is at P43.717 billion, computed using the closed group method. Meanwhile, using the open group method, the liability is at P15.053 billion. As expected of a partially funded program, the liability under the closed group method is larger than that from the open group method.

Instead of a seriatim approach, these projections apply a portfolio approach, which is appropriate and practical, considering the magnitude of EC membership data. Lapse assumptions are implicitly considered as well, in the form of density assumptions, probability of contribution payment in a given year, and movement among contributing and non-contributing groups. Margin for Adverse Deviation (MfAD) was applied, with the conservative scenario of the Valuation used as basis in the liability computations. Meanwhile, these projections already incorporated the impact of SS Act of 2018, coverage of the self-employed, EO No. 33 and EO No. 54 and the increase in the minimum sickness benefit alongside the increases in the minimum MSC as mandated by RA No. 11199.

Actuarial Valuation of Fire and Earthquake Insurance (FEI)

The data used in the calculation of the liabilities were updated as at December 31, 2023, for Premium Liabilities, it consists of policies with premium payments in 2023 while Claim Liabilities consists of policies with claims as at December 31, 2023. Such data were

presented in the form of triangles to provide a good visualization of the development of claims/losses over the years.

The premium liability is calculated as the higher between the Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR).

UPR refers to the amount of reserve for that portion of the premium received which is attributable to a period of risk falling beyond the valuation date and is computed using the 24th method.

URR refers to all future claim payments arising from future events after the valuation date that are insured under unexpired policies. It was estimated as the unearned premium multiplied by the ultimate loss ratio, adjusted for future expenses and MfAD.

MfAD allows inherent uncertainty of the best estimate of the policy reserves. The purpose of the MfAD is to consider the viability of claims within a class of business, the diversification between classes of business, and conservatism in the best estimate.

Claims liability refers to all outstanding claims incurred prior to the valuation date, whether they have been reported to SSS or not. The total claim liability is calculated as the sum of Outstanding Claims Reserve, Claims Handling Expense, Incurred but Not Reported (IBNR) Reserve, and MfAD.

Outstanding claims reserve refers to the estimated amount of claims reported but remain unpaid as of valuation date and calculated for accident years 2009-2023 as at December 31, 2023.

Claims handling expense refers to the estimated amount of expenses for settling all claims, whether reported or unreported, outstanding as of valuation date and no claims' handling expense is assumed.

IBNR refers to the provision of claims that have occurred but have not been reported to the company as of the valuation date.

MfAD is calculated at the 75th percentile level of sufficiency using BootChainLadder package in R, a language and environment for statistical computing and graphics with MfAD ratio of 29.72 per cent.

The UPR was computed at P2.749 million, while the URR was computed at P1.266 million. Hence, the Premium Liability is equal to the higher between the two, which is P2.749 million.

Table 1
Premium Liabilities as at December 31, 2023

	Amount
(1) Unearned Premium Reserve (UPR)	2,749,323.16
(2) Deferred Acquisition Cost (DAC)	0
(3) UPR net of DAC (1) - (2)	2,749,323.16

	Amount
(4) Unexpired Risk Reserve (URR), (4.2) +(4.3) +(4.4) +(4.5)	1,266,439.65
4.1 Ultimate Loss Ratio	41.81%
4.2 Best Estimate of Future Obligation	1,149,492.01
4.3 Maintenance Expense	0
4.4 Claims Handling Expense	0
4.5 MfAD (amount)	116,947.64
	0
Premium Liability, max [(1), (4)]	2,749,323.16

There were no unpaid claims as of December 31, 2023, hence the Outstanding Claims Reserve is 0. The IBNR reserve was computed at P63,427.50 and the MfAD ratio was computed at 29.72 per cent. These contribute to the total Claim Liability, which is equal to P82,278.15.

Table 2
Claim Liabilities as at December 31, 2023

	Amount
(1) Outstanding Claims Reserve, (1.1) + (1.2) + (1.3)	0
1.1 Direct Business	0
1.2 Assumed – Treaty	0
1.3 Assumed – Facultative	0
(2) Claims Handling Expense	0
(3) IBNR	63,427.50
(4) MfAD (Percentage)	29.72%
Claims Liability, [(1) + (2) + (3)] x [(1 + (4))]	82,278.15

The premium liability as at December 31, 2023 was lower by P80,799.02 compared to the amount recorded last year. On the other hand, claims liability as at December 31, 2023 was also lower by P6,176.28 versus the previous year's figure.

Table 3
Premium and Claim Liabilities (2022 vs. 2023)

	2023	2022	(Decrease)
Premium Liability	2,749,323.16	2,830,122.18	(80,799.02)
Claims Liability	82,278.15	88,454.43	(6,176.28)
	2,831,601.31	2,918,576.61	(86,975.31)

Actuarial Valuation of Mortgage Redemption Insurance (MRI) Liabilities

The data used in the calculation of liabilities consist of active policies as at December 31, 2023, and it includes information such as age and sex of the borrower-insured, first premium due date, coverage amount, and annual premium.

Valuation date refers to the date as of which the present value of future premiums and benefits are calculated, and the valuation date is set at December 31, 2023.

Discount rate is used to calculate the present value of future cash flows. The assumed discount rate is 6 per cent, similar to the rate used in calculating SSS Social Benefit Liabilities. The same discount rate was used in the past liability calculations.

Mortality assumptions refers to the assumed probabilities of death for the insured borrowers. The mortality assumptions used in the calculations are the same as the baseline assumptions used in the 2019 Actuarial Valuation.

No expense and lapse assumptions were considered in the calculations. On the timing of future cash flows, premium was assumed to be paid at the beginning of each year while death benefits were assumed to be paid at the end of death year. The projected death benefits on the expiration year were pro-rated to account for the proportion of the full year covered under the MRI.

In insurance terminology, a significant amount of liabilities of a life insurance company comes from policy reserves. Policy reserves represent the liabilities that an insurance company is obligated to pay its policyholders in the future. Hence, SSS has to recognize such liabilities in its financial statements for the MRI policies it issues to its housing loan borrowers.

Due to the reinsurance agreement of SSS with the Association of Mortgage Redemption Insurers (AMRI), which has 16 participating insurers, the benefits and premiums for the policies are equally divided among SSS and the 16 private insurers. The future premiums and benefits considered in the calculations are multiplied by a factor of 1/17 to consider SSS share.

MfAD allows for inherent uncertainty of the best estimate of the policy reserves. The purpose of the MfAD is to consider the variability of claims experience within a class of business, the diversification between classes of business, and conservatism in the best estimate. To incorporate MfAD in the calculations, the conservative mortality assumptions used in the 2019 SS Actuarial Valuation is applied.

The calculated liabilities for the MRI as at December 31, 2023 are as follows:

Table 1
MRI Liabilities as at December 31, 2023

	Amount
Present Value of Future Benefits (a)	1,811,607.52
Present Value of Future Premiums (b)	1,028,750.22
MRI Liabilities (a) - (b)	782,857.30

The calculated liabilities with MfAD are shown in Table 2 as follows:

Table 2
MRI Liabilities with MfAD as at December 31, 2023

	Amount
Present Value of Future Benefits (a)	1,953,082.22
Present Value of Future Premiums (b)	1,024,945.25
MRI Liabilities (a) - (b)	928,136.97

The resulting liability with MfAD is higher to provide a buffer in the event that the mortality experience deviates from the assumed mortality rates.

The present value of future benefits and premiums were both lower in 2023 compared to the previous year. In addition, the total MRI liabilities as of 2023 was lower by P247,398.30 compared to last year's figure, which can be attributed to the decrease in active MRI policies.

Table 3
MRI Liabilities with MfAD for Years 2023, 2022 and 2021

	2023	2022	2021	Inc/(Dec)
PV of Future Benefits (a)	1,953,082.22	2,700,733.87	3,344,726.49	(747,651.65)
PV Future Premiums (b)	1,024,945.25	1,525,198.60	1,983,538.36	(500,253.35)
MIR Liabilities (a) - (b)	928,136.97	1,175,535.27	1,361,188.13	(247,398.30)

23.2 Cumulative changes in fair value of FVTOCI

	2023	2022
Balance, January 1	(26,055,867,446)	(9,167,674,519)
Unrealized gain/(loss) arising from revaluation of financial assets at FVTOCI	(14,440,207,992)	(16,888,192,927)
Balance, December 31	(40,496,075,438)	(26,055,867,446)

The cumulative changes in fair value represent the investments' revaluation reserves arising from the revaluation of financial assets that have been recognized in other comprehensive income.

23.3 Revaluation surplus

A *revaluation surplus* is the result of revaluation of land under Property and equipment. The balance represents the excess of revaluation/appraisal value over the book value of the revalued asset. The revaluation surplus as at December 31, 2023 and 2022 amounted to P6.573 billion.

As at December 31, 2023 and 2022, the total carrying amount of fully depreciated property and equipment that are still in use are P38.693 million and P74.728 million, respectively.

24. SERVICE AND BUSINESS INCOME

This account is composed of the following:

	2023	2022
Business income		
Members' contributions	308,318,601,057	260,629,591,737
Interest income	32,707,886,118	27,284,559,510
Dividend income	6,331,381,207	4,821,472,862
Fines and penalties – business income	2,960,501,485	3,286,276,557
Rent/lease income –investment properties	1,212,795,643	1,216,727,488
Income from acquired/foreclosed assets	27,721,110	19,629,546
Other business income	74,743,155	46,928,327
	351,633,629,775	297,305,186,027
Service income		
Management fees	78,814,036	12,855,556
Other service income	482,837,835	439,332,454
	561,651,871	452,188,010
	352,195,281,646	297,757,374,037

The *service and business income* for CY 2023 amounting to P352.195 billion was higher than CY 2022 revenue by P54.438 billion or 18.28 per cent mainly due to the contribution rates increase.

Starting January 1, 2023, the contribution rate increased by one per cent, from the current 13 per cent to 14 per cent. For employed members, including OFW members in countries with Bilateral Labor Agreements with the Philippines, and sea-based OFW members, the additional one per cent is shouldered by their employers.

Likewise, the minimum MSC was adjusted to P4,000 from P3,000, except for Kasambahay and OFW members whose minimum MSC will remain at P1,000 and P8,000, respectively, while the maximum MSC was raised to P30,000 from P25,000. The MSC to be considered for the computation of benefits under the regular social security program is capped at P20,000.

Interest income is derived from the following SSS investments and other sources:

	2023	2022
Bonds investments		
FA at FVTPL	1,538,589,290	1,306,653,819
FA at FVTOCI	2,134,620,726	2,287,204,085
FA at amortized cost	18,752,372,161	14,060,551,349
	22,425,582,177	17,654,409,253

	2023	2022
Loans and receivables	8,922,270,048	8,816,848,195
Current/savings/term deposits	1,297,460,492	652,735,165
Time deposits/treasury bills	0	791,440
Others	33,724,433	127,100,954
	10,253,454,973	9,597,475,754
PhilGuarantee	28,848,968	32,674,503
	32,707,886,118	27,284,559,510

Other interest income consists of the following:

	2023	2022
Installment Payment of Contribution	29,306,993	26,943,166
Non-current Advances FIP & MRI	2,631,597	6,948,817
Non-current Advances Foreclosure	1,785,843	3,955,137
National Government	0	89,253,834
	33,724,433	127,100,954

Other business income consists of the following:

	2023	2022
Rental/Penalty Income – Operating Assets	15,253,651	8,950,757
Inspection Fees – REL	1,500	766
Pre-termination Fee – Flexi-fund	7,934	1,699
Income from ID Replacement	1,921,914	46,166,364
Fire insurance premium	4,080,182	3,949,685
Service Fee – Salary Loan	476,826,305	389,213,940
Rebate of management fees	59,489,504	37,977,570
	557,580,990	486,260,781

25. ASSISTANCE AND SUBSIDY

The Educational Assistance Loan Program (EALP) is funded on a 50:50 basis from the NG and SSS. The subsidy for EALP received for CY 2023 amounts to P335.688 million and P336.132 subsidy was received in CY 2022.

The NG counterpart of P3.5 billion was released under Special Allotment Release Order No. BMB-F-12-0031251 dated December 14, 2012. The total cash allocations released to SSS from CY 2012 to CY 2023 amounted to P3.5 billion, as follows:

NCA No.	Date	Amount
2012		
BMB-F-12-0023901	December 14, 2012	45,279,995
2013		
BMB-F-13-0017483	September 23, 2013	480,771,648
BMB-F-13-0020336	November 11, 2013	278,800,497

NCA No.	Date	Amount
		759,572,145
2014		
BMB-F-14-0005474	May 2, 2014	260,637,040
BMB-F-14-0012071	August 27, 2014	178,052,884
BMB-F-14-0016332	November 10, 2014	332,923,150
		771,613,074
2015		
BMB-F-15-0005560	April 29, 2015	32,207,250
BMB-F-15-0016231	October 26, 2015	374,662,670
		406,869,920
2016		
BMB-C-16-0006531	April 28, 2016	64,198,930
BMB-C-16-0016736	September 15, 2016	54,212,150
		118,411,080
2017		
BMB-C-17-0000790	January 9, 2017	193,867,300
BMB-C-17-0007120	May 17, 2017	72,955,264
BMB-C-17-0015979	October 11, 2017	274,253,486
		541,076,050
2018		
BMB-C-18-0019433	September 17, 2018	185,357,643
2022		
BMB-C-22-0013012	October 17, 2022	336,132,254
2023		
BMB-C-23-0007388	June 14, 2023	335,687,839
		3,500,000,000

26. GAINS

This account consists of the following:

	2023	2022
Gain from changes in fair value of financial instruments	16,464,993,409	13,124,504,501
Gain from changes in fair value of investment properties	10,244,117,617	8,718,804,321
Gain on sale/redemption/transfer of investment	788,205,248	917,681,366
Gain on sale of investment properties	29,923,559	33,997,348
Gain on sale/disposal of property and equipment	926,071	1,499,536
Gain on foreign exchange (FOREX)	377,449,291	390,368,235
	27,905,615,195	23,186,855,307

Fair value adjustment of financial instruments for CY 2023 at P16.465 billion is higher than the CY 2022 gain by P3.340 billion, mostly due to stock market appreciation of equity securities.

Investment properties are remeasured at fair value, which is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Gains or losses, like last year arising from changes in the fair value of the investment properties, are included in profit or loss for the period in which they arise.

Gain on sale/redemption/transfer of investments includes realized gain on sale of equity securities, government securities and NCAHFS.

27. OTHER NON-OPERATING INCOME

This account consists of the following:

	2023	2022
Reversal of impairment loss	405,652,291	4,366,903,916
Miscellaneous income	510,544,860	300,794,163
	916,197,151	4,667,698,079

Miscellaneous income includes income from car insurance, director fees, income from SSS Dormitory and others with the following details:

	2023	2022
Director's fee	126,454,465	134,145,589
Income from SSS Dormitory	128,832	61,500
Income from Car Insurance	209	2,253
Others	383,961,354	166,584,821
	510,544,860	300,794,163

28. 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. Total benefit payments amounted to P259.033 billion and P242.814 billion, with total number of beneficiaries of 40,488,807 and 39,538,665, for CYs 2023 and 2022, respectively, as follows:

	2023	2022
Retirement	156,734,407,594	141,516,256,803
Death	71,193,726,664	71,315,865,699
Maternity	14,089,048,206	12,858,281,675
Disability	7,701,239,946	6,636,161,439
Funeral grant	4,819,327,617	5,126,721,198
Sickness	3,576,275,743	4,389,597,479
Unemployment	914,060,681	961,379,996
Medical services	5,072,272	9,609,326
	259,033,158,723	242,813,873,615

Benefit payments of P259.033 billion in CY 2023 are higher than last year's benefit payments by P16.219 billion or 6.68 per cent due to an increase in the number of claims. This is attributed to the implementation of on-line applications of claims and transactions through the My.SSS that facilitated the timely processing of benefit claims pay-out.

29. PERSONNEL SERVICES

This account is composed of the following:

	2023	2022
Salaries and wages	4,170,305,216	4,299,023,608
Other compensation	1,800,989,398	1,950,929,294
Personnel benefit contributions	1,006,263,514	1,380,800,822
Other personnel benefits	2,076,153,836	492,874,372
	9,053,711,964	8,123,628,096

Pursuant to Republic Act (R.A) No. 10149 which mandates the Governance Commission of GOCCs (GCG) to develop a Compensation and Position Classification System (CPCS) for GOCCs, and by virtue of the powers vested in the President of the Philippines, Executive Order No. (E.O.) 150, series of 2021, was signed and approved by the President on October 01, 2021. SSS received the Authority to Implement (ATI) from GCG on June 1, 2022, and the new CPCS salary structure was effective in July 2022. Appeal to review and reconsider the approved job grades was sent to GCG, and the approval was received on November 10, 2022. On January 9, 2023, the SSS received the approval of appeal from the GCG on the reconsideration of approved job grades. The release of differential was also made in the same year.

The increase in personnel services was mainly due to the recording of provision for terminal leave pay and payment of longevity benefit.

Personnel benefit contribution includes Provident Fund which consists of contributions made by both the SSS and its officials and employees and their earnings, for the payment of benefits to such officials and employees or their heirs as provided under Section 4.a.3 of the RA No. 11199. 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.

As at December 31, 2023, SSS has a total of 6,451 regular and casual personnel of which 48 are new employees but net of 16 retired/separated employees.

30. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account is composed of the following:

	2023	2022
General services	342,645,818	463,003,999
Repairs and maintenance	280,419,984	215,806,940
Utility expenses	254,090,020	246,491,446

	2023	2022
Labor and wages	252,536,531	162,971,752
Supplies and materials expenses	131,609,639	186,363,812
Communication expense	101,402,883	113,243,739
Professional expenses	73,956,660	100,002,615
Training and scholarship expenses	50,853,925	19,134,132
Travelling expenses	46,441,598	32,390,552
Taxes, insurance premiums and other fees	27,819,957	27,308,098
Awards/Rewards, prizes, and indemnities	2,681,191	2,952,691
Confidential, intelligence and extraordinary expenses	3,724,024	1,263,114
Other MOOE	281,429,842	351,018,144
	1,849,612,072	1,921,951,034

Other MOOE

	2023	2022
Subscription expenses	119,517,639	65,936,983
Printing and publication expenses	30,166,863	28,684,516
Transportation and delivery expenses	28,032,759	42,589,695
Advertising, promotional and marketing expenses	21,877,594	18,331,832
Fees and commission expenses	17,194,520	150,261,137
Directors and committee members' fees	10,956,141	15,442,402
Membership dues and contributions to organizations	7,367,192	6,468,056
Rent/lease expenses	4,378,550	7,499,337
Donations	990,000	200,000
Others	40,948,584	15,604,186
	281,429,842	351,018,144

31. FINANCIAL EXPENSES

This account is composed of the following:

	2023	2022
Interest expenses – lease liability	40,660,690	49,985,041
Bank charges	33,665,408	42,607,369
Other financial charges	227,630,895	112,814,462
	301,956,993	205,406,872

The SSS recognizes interest expense on the lease liability calculated using the effective interest method in view of the new accounting standard on leases (see Note 2.14).

Other financial charges consists of the following:

	2023	2022
Investment Expense	148,816,860	99,958,906
Management Fee Expense	78,814,035	12,855,556
	227,630,895	112,814,462

Other financial charges represent investment-related expenses incurred in connection with managing the investment properties, broker's commissions on trading financial assets and other depository maintenance and off-exchange trade fees. It also includes Flexi Fund, PESO Fund and EC Fund management fees amounting to P78.814 million and P12.856 million for CY 2023 and CY 2022, respectively.

32. NON-CASH EXPENSES

This account is composed of the following:

	2023	2022
Losses	26,084,286,147	18,700,228,496
Impairment loss	1,222,936,991	975,831,033
Depreciation	614,439,363	575,097,390
Amortization	61,335,700	34,203,563
	27,982,998,201	20,285,360,482

The SSS recognizes losses from the following:

	2023	2022
Changes in fair value of financial instruments	16,204,068,570	16,935,875,189
Changes in fair value of investment properties	9,402,103,162	1,376,020,541
Foreign exchange	417,408,060	99,637,414
Sale/Redemption/Transfer of Investments	45,871,866	283,780,625
Sale/disposal of PE and other assets	14,834,489	4,914,727
	26,084,286,147	18,700,228,496

33. NET CHANGE IN POLICY RESERVES

SSC Resolution No. 123-s. 2021 dated March 10, 2021, approved the adoption of the PFRS 4 in the computation of the ICL for the CY 2020 financial statements and onwards and the use of the discount rate of six per cent.

	2023	2022
Insurance Contract Liability		
SSF	8,591,234,269,869	8,066,715,313,607
EC-SIF	43,716,609,019	40,975,309,572
MIA	3,759,739	4,094,111
	8,634,954,638,627	8,107,694,717,290
Net Change		
SSF	524,518,956,262	475,418,056,973
EC-SIF	2,741,299,447	2,692,217,752
MIA	(334,373)	(476,272)
	527,259,921,336	478,109,798,453

Net change in policy reserves for CY 2023 is P527.260 billion, which is P49.150 billion or 10.28 per cent higher than the CY 2022 provision of P478.110 billion.

34. LEASE COMMITMENTS

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. The extension option is exercisable up to one year after the lease period has expired as running from month-to-month with the same terms and conditions as stipulated. On the other hand, if either party desires to terminate prior to expiration of the lease period, the desiring party shall inform the other party in writing of such intention at least 60 days before the intended termination date. There are no residual value guarantees and sale and leaseback transactions in the lease agreement.

Out of the 314 local and foreign branches, 140 offices located in various locations are rent-free. As at December 31, 2023 and 2022, the total lease payment made amounted to P286.766 million and P272.688 million, respectively (see *Notes 16 and 30*). Further, there are no sublease agreements made and no occurrences of contingent rent.

SSS as lessor

The SSS leases out a portion of its office space to various tenants under cancellable operating lease agreements and the minimum lease rental amounts to at least P500 per month. The leases have varying terms, escalation clauses and renewal rights. A renewal option is available to the lessee who shall give written notice of its intention to renew at least 60 calendar days prior to the expiration of the lease period. If the lessee continues in the occupation of the leased premises with the consent of the lessor after the term, said extension of the contract shall be understood as running from month-to-month basis under the same terms and conditions stipulated in the agreement, but the monthly rental shall all be escalated based on the SSS leasing guidelines. For the pre-termination terms, either party may pre-terminate the lease for any reason, provided that the party who initiates the pre-termination shall inform the other party in writing at least 60 calendar days before the intended date of termination. In the case the lessee voluntarily pre-terminates the lease agreement, the lessee shall pay the SSS a pre-termination fee to be deducted from the security deposit.

Total rental income earned as at December 31, 2023 and 2022 amounted to P1.254 billion and P 1.244 billion, respectively, details as follows:

	2023	2022
Investment properties	1,212,795,643	1,216,727,488
Leased acquired/foreclosed assets	26,958,563	19,357,226
Operating assets	14,188,616	7,989,794
	1,253,942,822	1,244,074,508

The estimated minimum future annual rentals are as follows:

	2023	2022
Within one year	960,337,054	413,143,787
Over one year to five years	924,078,452	1,881,708,641
Over five years	0	2,706,866
	1,884,415,506	2,297,559,294

35. RELATED PARTY DISCLOSURES

As at December 31, 2023, the composition of the Social Security Commission (SSC) is as follows:

Board Position	Name	Appointment
1. Ex-Officio Chairperson	Benjamin E. Diokno	Secretary, Department of Finance
2. Vice-Chairperson	Rolando Ledesma Macasaet	President & CEO, SSS
3. Ex-Officio Member	Bienvenido E. Laguesma	Secretary, DOLE
4. Member	Diana Pardo-Aguilar	Representing the Employers' Group
5. Member	Manuel L. Argel Jr.	Representing the Employers' Group
6. Member	Robert Joseph M. De Claro	Representing the Employers' Group
7. Member	Eva B. Arcos	Representing the Workers' Group
8. Member	Jose C. Julio	Representing the Workers' Group
9. Member	Anita Bumpus-Quitain	Representing the Workers' Group

Key Management Personnel Remuneration and Compensation

The management personnel of SSS are the President and CEO, Executive Vice Presidents, and Senior Vice Presidents of the operating and support groups. The remunerations of key management personnel during the year are as follows:

	2023	2022
Salaries	93,011,944	79,658,745
Other allowances and benefits	36,256,338	36,585,278
	129,268,282	116,244,023

Meanwhile, the total remuneration received by the Board of Commissioners amounted to P17.941 million and P 22.062 million for CYs 2023 and 2022, respectively.

36. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the provision of existing laws, Ralph G. Recto was appointed as the new Chairman of the Social Security System, *vice* Benjamin E. Diokno, by President Ferdinand R. Marcos, Jr. with appointment letter dated January 12, 2024 from the Office of the President of the Philippines, Malacañang. The Oath of Office was also held on January 12, 2024.

The President and CEO has approved on January 19, 2024, the closure of Branches with tellering facilities effective on April 18, 2024, from the following locations (Cabanatuan, Candon, Cauayan, Lapu-Lapu, La Union, Roxas, San Jose Nueva Ecija and Urdaneta). The Branch shall accept SSS payments until April 1, 2024 only, to give

ample time for the branch to prepare the collection reports and perform other related processes before the actual cessation of tellering operations.

37. COMMITMENTS

Commitments

The amount authorized but not yet disbursed for capital expenditures as at December 31, 2023 is approximately P1.52 billion. The DBM granted SSS the flexibility to modify its utilization within the total DBM-approved budget level. The DBM approved budget for capital expenditures of P1.87 billion was down to P1.79 billion utilizing the said flexibility.

Liquidation of Flexi-fund and P.E.S.O. Fund

1. Flexi-fund

Status of the following System Development Request (SDR) in relation to the liquidation of Flexi-fund.

- a. **Net Ending Balance (NEB) Inquiry Facility.** This is related to the pre-requisite activities to be performed by ISD I to put into order the NEB of Flexi-fund member with previous withdrawal, prior implementation of the transition of Flexi-fund to WISP Plus. The SDR for the NEB Inquiry Facility was submitted to ITMG on November 15, 2012 and was assigned with document/ITSM number 100321. Note that this is an addendum to SDR No. 000765 dated March 16, 2022. The completion/deployment of the NEB Inquiry Facility shall be on March 6, 2024 based on work breakdown schedule in the SDR.
- b. **Transition Facility.** This will be open to all qualified FF members and shall be available in their My.SSS account. There are two options to choose from: (1) Disburse/withdraw their benefit through their DAEM account or (2) Transfer their NEB to WISP Plus. The SDR for the Transition of Flexi-fund/PESO Fund to WISP Plus was submitted to ITMG on June 15, 2022 and was assigned with SDR No. 000883. The completion/deployment of the Transition Facility is yet to be determined by ISD I. Previous target implementation was 2nd semester of 2023.

The liquidation of the Flexi-fund will occur within six (6) months after the transition period.

2. P.E.S.O Fund

The Voluntary Provident Fund Department (VPFD) and the Fund Management Group (FMG) are currently working together to reconcile and finalize the Statement of Accounts (SOAs) of all P.E.S.O. Fund members to make the same ready for the transition.

While waiting for information from the Technical Owner on the updated schedule on the development of the transition module, the VPFD, as reinforcement, shall also be preparing an interim handling process, in consideration of the possibility of having the

need to manually process the transition activity in case of unavailability of the said module. The target to begin the transition activity for the P.E.S.O. Fund is within the year 2024.

38. STATUS OF LAWSUITS

The SSS is involved as a party in several legal proceedings pending resolutions that could materially affect its financial position. Among these lawsuits are the following:

Description	Amount	Status
Civil case for Sum of Money with Damages filed against Waterfront Philippines, Inc. (WPI)	1.151 billion	<p>Entry of judgement was issued on December 12, 2022.</p> <p>The Supreme Court decided in G.R. No. 249337 dated July 6, 2021 the following:</p> <ol style="list-style-type: none"> 1. The Contract of Loan with Real Estate Mortgage with Option to Convert to Shares of Stock, and all accessory contracts appurtenant thereto are declared null and void; 2. The Certificate of Sale dated September 19, 2003 is also declared null and void; and 3. Mutual restitution together with any income, fruits or dividends realized therefrom. <p>An order dated August 17, 2023 was issued by RTC Branch 76, Quezon City, directing the following:</p> <ol style="list-style-type: none"> 1. The legal compensation between SSS and Waterfront Philippines, Inc. & Wellex Industries, Inc is approved; 2. Waterfront Philippines, Inc. is ordered to pay P258,117,749.89 to SSS; 3. SSS is orderd to return to Wellex Industries, Inc. the original TCT Nos. N-153395 and N-153396, T-558207, T-186142, T-180245, T-180246, T-180249, and T-180250, as well as the original tax declarations, within 10 days from receipt of this order; and to reconvey to Wellex Industries, Inc the properties covered by TCT Nos. N-153395 and N-153396 within 60 days from receipt of this order; 4. Regina Corporation is ordered to release to Wellex Industries, Inc, Stock Certificate Nos. 104756, 104599, 104767, 812, 813, and 814n

		representing 80,000,000 shares of Wellex, within 10 days from receipt of this Order.
		Motion for Reconsideration was filed on September 29, 2023.
Quieting of title filed by Desiderio Dalisay Investment, Inc. (DDII) – “ <i>Dacion en Pago</i> ” (Cabaguio Ave. cor. Del Pilar Street, Brgy. Agdao Proper, Agdao, Davao City)	83.586 million	DDII to execute the Deed of Sale over the properties in favor of SSS and surrender the Owner’s Duplicate of Transfer Certificate of Title (TCT) Nos. T-18203, T-18204, T-255986 and T-255985, as well as the Tax declarations over the said properties. SSS to re-compute petitioner’s obligations, accordingly, reckoned from June 17, 1982, the date when respondent communicated its acceptance of the offer. SSS Davao was requested to inquire from the RTC of Davao City, Branch 14, whether the records of the case have already been remanded by the SC. This is preparatory for OSG/SSS to file Motion for Execution of Judgment. An order dated May 16, 2023 was issued by the RTC Branch 14, Davao City granting the Motion for Issuance of a Writ of Execution file by SSS. For implementation of the writ of execution as of the third week of November 2023.
Civil case for Sum of Money filed by Pryce Corporation on One Time Maintenance Adjustment Charge (MAC) on SSS owned memorial lots	84.515 million	Pending with RTC – Branch 61, Makati City. Presentation of defense evidence on January 22, 2024.
SSS Money Claim Against the Pasay City Government for the RPT Paid in Protest Involving FCA-7 Property	233.99 million	The petition for Money claim was filed before the Commission on Audit on April 11, 2023.

39. RISK MANAGEMENT

SSS demonstrates a commitment to comprehensive risk management by adopting an enterprise risk management (ERM) approach with the issuance of the SSS ERM Policy

in 2016. This enables SSS to systematically assess, treat, record, monitor and communicate risks across various functions.

Central to this proactive risk management stance are two key entities – the Risk Management and Investment Committee (RMIC) and the Risk Management Division (RMD). RMIC is a specialized body of the Social Security Commission dedicated to overseeing risks and ensuring that a rigorous, coordinated approach to assess and respond to such risks is in place. This includes the use of monitoring systems and limits to manage risks.

Working in tandem with the RMIC, the RMD operates under the Actuarial and Risk Management Group (ARMG). Tasked with spearheading the development of a robust risk management framework and process, the RMD collaborates with risk owners to establish, maintain and continually enhance the System's risk management capabilities.

Efforts for continuous improvement led to the enhancement of the SSS ERM Policy, which was approved by the Social Security Commission on December 18, 2023. The policy adheres to the best practices of risk management and is guided by the ISO 31000:2018 standard.

A. SSS ERM Policy

The purpose of the SSS Enterprise Risk Management (ERM) Policy is to institutionalize a structured approach to assess, treat, report, and monitor risks in alignment with the corporate values, mission, and vision. This policy aims to promote effective risk management practices to safeguard the System's members, employees, and other stakeholders, and ensure its sustainability and viability.

1. SSS shall preserve its assets and protect the well-being of its employees, members, and stakeholders so that it can fulfill its mandate to provide meaningful protection to members and their families against the hazards of disability, sickness, maternity, old age, death and other contingencies resulting in loss of income or financial burden.
2. SSS shall consider risk management as an integral part of all its strategies, core business processes, systems, plans, programs, policies, procedures, and decision-making.
3. Roles and responsibilities shall be established based on the “Three Lines of Defense” model to ensure the integration of risk management into all aspects of the System.
4. The SSS shall be up-to-date and adhere to the industry's best practices in the assessment, treatment, recording and reporting, monitoring and review, and communication of risks. This can be achieved by ensuring that at all times:
 - a. Risks are properly assessed, treated, reported, and monitored.
 - b. Risk ownership is taken and communicated.
 - c. Resources are effectively and efficiently allocated to manage risks.
 - d. Risks that could significantly affect SSS members, employees, and other stakeholders are appropriately managed; and,

- e. The SSS is compliant with its obligations, commitments, and regulatory and legal requirements.
- 5. SSS shall establish the enterprise-wide risk management framework and process based on the core principles of ISO 31000:2018, Risk Management – Guidelines.
- 6. Enterprise risk management is a shared responsibility. All employees shall be responsible for protecting SSS from risks that could threaten the achievement of objectives and compromise the corporate values, in order to operate in a manner that is compliant with all relevant legislation, regulations, and rules. The responsibility may range from assessing and reporting risks associated with their own functions to mitigating and communicating the risks to all affected stakeholders.

B. SSS ERM Framework

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

- 1. SSS ERM Policy – serves as the foundational document outlining and articulating the continual commitment of SSS to risk management. It provides the overarching guidelines that govern the entire ERM framework.
- 2. SSS Risk Management Process – outlines a systematic application of the risk management principles, policy, and framework to proactively assess, treat, report, and monitor risks.
- 3. Leadership and Commitment – a vital aspect of ERM where the Social Security Commission and top management ensure that risk management is integrated into all organizational activities, that components of the risk management framework are customized and implemented, a risk management policy is issued, necessary resources are allocated to managing risk, and that responsibilities and accountabilities are assigned at appropriate levels with the System.
- 4. Risk Culture and Awareness – a culture where all employees understand the value of risk management.
- 5. Integration – involves aligning the risk management process with the organization's objectives and embedding it into the System's governance and daily operations, including the decision-making process. This ensures that risk management is not a standalone function but a core part of decision-making and execution.
- 6. Roles and Responsibilities – establishes accountability and ensures that risk mitigation efforts are well-coordinated. It is a systematic approach of delegating, coordinating, and clarifying important risk management roles and duties.
- 7. Tools and Metrics – instruments and measurement systems used to quantify and monitor risks. These tools provide data-driven insights, enabling informed decision-making in risk management.
- 8. Continual Improvement – implies that the ERM framework is designed to be adaptable and responsive to changes in the context of the organization while

ensuring not to overcomplicate the risk management process to allow the pursuit of opportunities and flexibility of response.

9. Dynamic – proactive anticipation, detection, acknowledgment, and appropriate and timely response to changes and events that contribute to the fluid nature of risks.

C. SSS Risks

SSS identifies and monitors risks through the regular conduct of systemwide Risk and Control Self-Assessment (RCSA) by each unit. This provides insights on enterprise-level risks as well as unit-level risks, both existing and emerging. These risks are consolidated in a risk register maintained by RMD. SSS risks can be divided into four (4) principal risk categories:

1. **Financial Risks** – unexpected changes in external markets, prices, rates and liquidity supply and demand.

To ensure the sustained provision of social security benefits to its members, the management and investment of its Investment Reserve Fund is guided by the provisions of RA 11199. The dynamic financial landscape marked by various challenges where it operates emphasizes the significance of prudential risk management strategies employed to navigate the complexities of its investment portfolios. Among the foremost concerns are the following financial risks, each exerting a distinct influence on its overall financial health:

a. Market Risk

Market Risk, also known as systematic risk or undiversifiable risk, is the risk that SSS investments decline in value due to broader economic and market conditions. This risk arises from various factors, including economic events, geopolitical developments, and fluctuations in equity prices, interest rates, foreign exchange rates, and real property prices.

In managing this risk, SSS employs a strategy centered on careful asset allocation and diversification. This involves distributing exposures across various asset classes and industries, complemented by the inclusion of fixed-income securities with varying maturities. SSS engages in regular monitoring of market trends, economic indicators, and company news to make informed investment decisions. SSS also places a strong emphasis on risk mitigation through comprehensive research and due diligence before making any significant investment commitments.

SSS strictly adheres to the provisions of Section 26 of the SS Law which states that the funds invested in equities, corporate notes/bonds, loans, mutual funds, and other financial instruments shall earn an annual income not less than the average rates of treasury bills or any acceptable market yield indicator. Investments in marketable securities shall be made only in areas specified under Section 26 of RA 11199 or the Social Security Act of 2018, and those that satisfy SSS stock accreditation guidelines.

By adopting a long-term perspective and employing prudent risk management practices, SSS aims to navigate market uncertainties while preserving the integrity of its investment portfolio.

b. Credit Risk

Credit risk refers to the risk of an economic loss from the failure of SSS counterparties to settle their financial obligations. This risk arises due to various factors, including the counterparties' financial instability, market fluctuations, and unforeseen events that may impact their ability to meet contractual commitments. SSS credit risk originates from loan receivables, sales contract receivables, rental properties, debt securities held, and contribution receivables.

SSS conducts regular and thorough credit risk assessments, evaluating counterparties' financial stability, market dynamics, and unforeseen events that may impact their ability to meet contractual commitments. Prudent credit limits are established based on counterparties' creditworthiness, and exposure to controls are implemented to restrict the maximum allowable exposure to single counterparty. The SSS maintains a vigilant monitoring system and employs early warning mechanisms to promptly identify signs of financial distress or changes in creditworthiness, enabling timely and informed risk management decisions.

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

2023									
Past due but not impaired (Age in months)									
	Neither past due nor impaired	1-12	13-36	37-48	49-60	Over 60	Expired	Impaired	Total
(In Million Pesos)									
Financial assets at FVTPL	94,420	0	0	0	0	0	0	0	94,420
Financial assets at FVTOCI	114,096	0	0	0	0	0	0	0	114,096
Financial assets at amortized cost									
Corporate notes and bonds	45,646	0	0	0	0	0	0	99	45,745
Government notes and bonds	321,150	0	0	0	0	0	0	13	321,163
Loans and receivables:									
NHMFC	0	0	0	0	0	0	6,201	3,106	9,307
Receivable from Private and Gov't Agencies	404	0	0	0	0	0	0	171	575
Housing loans	156	15	2	0	2	31	147	500	853
Member loans	48,433	25,177	19,337	0	10,055	17,974	0	6,423	127,399
Pension loans	6,014	0	0	0	0	0	0	14	6,028
Sales contract receivable	239	531	18	4	3	26	0	408	1,229
Rental receivable	35	5	0	0	0	0	0	76	116
Commercial and industrial loans	0	0	0	0	0	0	2	67	69
Program MADE	0	0	0	0	0	0	0	17	17
	630,593	25,728	19,357	4	10,060	18,031	6,350	10,894	721,017

2022									
Past due but not impaired (Age in months)									
	Neither past due nor impaired	1-12	13-36	37-48	49-60	Over 60	Expired	Impaired	Total

(In Million Pesos)									
Financial assets at FVTPL	71,411	0	0	0	0	0	0	0	71,411
Financial assets at FVTOCI	127,756	0	0	0	0	0	0	8	127,764
Financial assets at amortized cost									
Corporate notes and bonds	34,726	0	0	0	0	0	0	113	34,839
Government notes and bonds	258,641	0	0	0	0	0	0	14	258,655
Loans and receivables:									
NHMFC	0	0	0	0	0	0	6,314	3,113	9,427
Receivable from Private and Gov't Agencies	504	0	0	0	0	0	0	171	675
Housing loans	186	22	2	0	3	21	165	621	1,020
Member loans	38,550	19,839	23,675	0	9,647	19,504	0	5,423	116,638
Pension loans	5,550	0	0	0	0	0	0	13	5,563
Sales contract receivable	287	450	33	11	11	40	15	418	1,265
Rental receivable	82	6	0	0	0	0	0	91	179
Commercial and industrial loans	0	0	0	0	0	0	2	67	69
Program MADE	0	0	0	0	0	0	0	17	17
	537,693	20,317	23,710	11	9,661	19,565	6,496	10,069	627,522

To avoid significant concentrations of exposures to specific industries or group of issuer and borrowers, SSS investments are regularly monitored against prescribed cumulative ceilings specified in Section 26 of SS Law.

To further ensure compliance with Section 26 of SS Law, Policies and Guidelines in Determining and Managing Exposure Limits to Debt and Equity were established. The investment limits for Conglomerate/Group, Individual Corporation, Individual Corporation's Debt and Individual Corporation's Equity are determined based on two principles: IRF forecast-based principle and risk-based principle.

For the IRF forecast based principle, the following are the limit ceilings as portion of IRF forecast, where the IRF forecast is computed from the previous year's IFR plus 90% of the current year's target net revenue:

- 10% for Conglomerate/Group
- 5% for Individual Corporation
- 4% for Individual Corporation's Debt
- 4% for Individual Corporation's Equity

The risk-based principle for computing investment limits is based on the System's value and its credit score.

Factors	Individual Corporation	
	Debt	Equity

Corporation's Value	Three times the Unimpaired Capital of the Corporation	10% of the Market Value of Total Issued and Outstanding Shares of the Corporation
Risk Measure	Merton Distance-to-Default	Altman Z-Score

c. 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).

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 a sufficient portfolio of highly marketable assets that can easily be liquidated as protection against unforeseen interruption to cash flow.

2. **Insurance and Demographic Risks** – risk of loss arising from variation in pension fund, claim experience and exposure to adverse persistency, and uncertainty in demographic assumptions when the benefits were designed and valued.

SSS manages these risks through regular conduct of actuarial valuation/studies and monitoring of experience. There are also mitigating measures to control SSS members' anti-selection practices, such as when a person who has better information on products and/or services selectively uses it to gain personal advantage at the expense of the provider or another party.

3. **Strategic Risks** – risk arising from unanticipated changes in key elements of strategy formulation and/or execution leading to actual strategic outcomes that adversely defer from expectations.

SSS manages these risks by creating harmonious relationship with various stakeholders, monitoring new and pending bills, and conducting regular economic researches/studies to craft appropriate policies beneficial to the System and its members. Also, SSS implemented the No Gift Policy, No Noon Break Policy, Anti-Fixer Campaign and No Smoking Campaign which will enhance its image as a government institution.

4. **Operational Risks** – exposure to potential loss, whether direct or indirect, due to ineffective and inefficient internal processes, human resource failures, system failure, or external events.

SSS monitors these risks by conducting regular RCSA throughout the System. RCSA provides insights on risks in each SSS unit, both existing or emerging. Identified operational risks through RCSA are consolidated in a risk report, which is presented in RMIC meetings. Actual risk incidences are reported as well.

Through RCSA, SSS units become more aware on the risks present in their day-to-day operations. As such, they are able to identify gaps and ineffective controls and come up with sensible action plans to minimize possible loss and damage. The progress of the action plans is periodically monitored and reported.

Below are some of the risk management tools used to address operational risks:

- a. Privacy Impact Assessment – SSS conducts Privacy Impact Assessment (PIA) to evaluate privacy impacts in all processing systems – existing, new and enhancements. The PIA takes into account the nature of personal data to be protected, threshold analysis, personal data flow, stakeholder engagement and risks to privacy and security in each processing system.
- b. Directors' and Officers' Liability Insurance – SSS has been providing its Commissioners and Executives with an indemnity coverage to afford SSS, SSC and its Management the means to pursue their fiduciary duties and obligations to always act in the best interest of the System, with utmost good faith in all their dealings with the property and monies of SSS.
- c. Personal Equity Investment Policy – SSS promotes high standards of integrity and professional excellence among its officers and employees in the investment of the Reserve Funds as provided under its Charter through regular monitoring and regulating the official and personal transactions and activities related to equity investments of concerned SSS officers and employees and the establishment of a disclosure mechanism for their personal equity investments.
- d. Business Continuity Management Plan – Currently, the SSS trains its employees to be prepared against natural and manmade calamities through regular conduct of disaster preparedness programs, e.g. fire drill, earthquake drill, back-up and recovery of systems. For long term preparation, the SSS has created a Disaster Control Group that is responsible in planning strategies and mechanism to provide continuous delivery of services to the public amidst any disruption in operations caused by disaster. Also, SSS has created a Technical Working Group to develop a comprehensive Business Continuity Management Program for SSS to ensure continuity of critical member services, swift return to normal operations and reduce possible loss on the onset of a disruption.

40. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS (RR) NO. 15-2010

Presented under the following table is the supplementary information which is required by the Bureau of Internal Revenue under Revenue Regulations No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The SSS is withholding and remitting to the BIR applicable taxes withheld imposed under the National Internal Revenue Code and its implementing rules and regulations. 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 are remitted on or before the 20th day of January of the following year.

Value-added taxes and final income taxes withheld are remitted on or before the 10th day of the following month.

	Amount
Taxes paid as at December 2023	
On compensation	562,878,822
Expanded	48,346,632
VAT and other percentage tax	66,629,475
Final tax	1,538,856
Output tax (VAT)	115,715,591
Taxes withheld as at December 2023 and remitted in Jan 2024	
On compensation	98,836,681
Expanded	8,307,976
VAT and other percentage tax	11,200,011
Final tax	188,841
Output tax (VAT)	21,909,171
	935,552,056

The SSS is exempted from all kinds of taxes pursuant to Section 16 of RA No. 11199 which states that:

“All laws to the contrary notwithstanding, the SSS and all its assets and properties, all contributions collected and all accruals thereto and income or investment earnings therefrom, as well as all supplies, equipment, papers or documents shall be exempt from any tax assessment, fee, charge, or customs or import duty; and all benefit payments made by the SSS shall likewise be exempt from all kinds of taxes, fees or charges and shall not be liable to attachments, garnishments, levy or seizure by or under any legal or equitable process whatsoever, either before or after receipt but the person or persons entitled thereto, except to pay any debt of the member to the SSS. No tax measure of whatever nature enacted shall apply to the SSS, unless it expressly revokes the declared policy of the State in Section 2 hereof granting tax-exemption to the SSS. Any tax assessment imposed against the SSS shall be null and void.”

Under Section 86 item q. of RA No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion” (TRAIN) Law, effective January 1, 2018, SSS exemption on VAT has been repealed.