Review of the Risk Management Systems

Risk Management System in Place

The Social Security System (SSS) plays a crucial role in providing social security protection to its members. As with any organization operating in a dynamic environment, the SSS faces various risks that could impact its ability to fulfill its mandate effectivity. To address these challenges, the SSS has implemented a comprehensive risk management system, overseen by the Risk Management and Investment Committee (RMIC) and executed by the Risk Management Division (RMD) under the Actuarial and Risk Management Group (ARMG). The risk management system is based on the principles of Enterprise Risk Management (ERM) and guided by ISO 31000-2018 standard.

As SSS continues to evolve, the emphasis on ERM ensures a proactive and adaptive response to emerging risks, contributing to its overall resilience and sustainability. Recognizing that the well-being of SSS members and their beneficiaries depends on the adequacy of SSS risk management efforts, the System remains steadfast in its commitment to maintaining a resilient and effective risk management system that safeguards the interests of those it serves.

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

SSS Enterprise Risk Management Policy

The purpose of the SSS Enterprise Risk Management (ERM) Policy is to institutionalize a structured approach to assess, treat, report, am. 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 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 an its strategies, core business processes, systems, plans, programs, policies, procedures, ana 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. 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 – Gudelines.

6. Enterprise risk management is a shared responsibility. All employes 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.

How Key Risks are Managed

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

SSS risks can be divided into four (4) principal risk categories:

1. Financial Risks - unexpected changes in externa, markets, prices, rates and liquidity supply and demand.
2. Insurance ana 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 are designed and valued.
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.
4. Operational Risks – exposure to potential loss, whether direct or indirect, due to ineffective and inefficient internal processes, human resource failures, system failure, or external events.

To manage these risks, the SSS established the SSS Enterprise Risk Management (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 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 proactivity 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 response.
9. Dynamic - proactive anticipation, detection, acknowledgment, and appropriate and timely response to changes and events that contribute to the fluid nature of risks.

Adequacy of the Risk Management System

Under Resolution No. 141 dated 12 March 2025, the Social Security Commission (SSC), after discussing the report on risk oversight captioned "Risk Management in Social Security System", which covers the (a) risk management in place, (b) how key risks are managed, and (c) adequacy of risk management systems in SSS, noted said report whereby under the SSS Enterprise Risk Management Framework, the SSS has established an adequate and effective risk management system with the continuing aim of making itself a highly resilient organization.

The report on risk oversight was also vetted in the Risk Management and Actuary Oversight Committee during its meeting dated 11 March 2025.