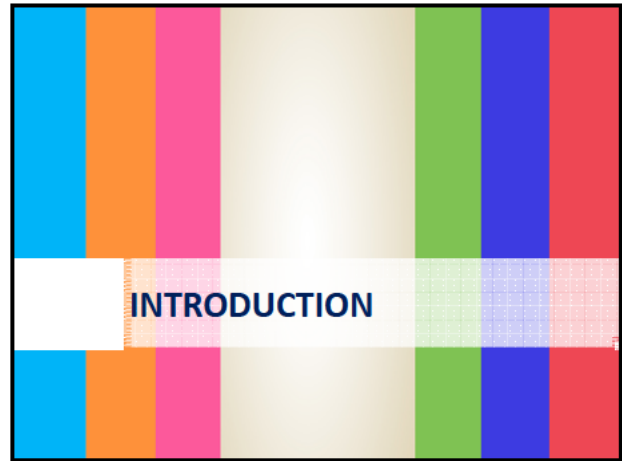




**BUTI NA LANG, MAY SSS!**

## 2015 SSS ACTUARIAL VALUATION

Presented by:  
 GEORGE S. ONGKEKO, JR.  
 FASP ASA FRM CFA  
 SVP and Chief Actuary  
 18 November 2016




## INTRODUCTION

Social insurance  
not welfare

Government  
Subsidy?

Government  
Guarantee?



Retirement,  
Disability,  
Death,  
Maternity,  
Sickness, etc

Defined Benefit

Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!

### Defined Benefit (DB) vs Defined Contribution (DC)

DB

Cont?

Cont?

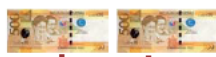
+

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**Guaranteed Benefit**  
 Example: average  
 monthly salary over 5  
 years

DC



+


+

+

+

+

Benefit?

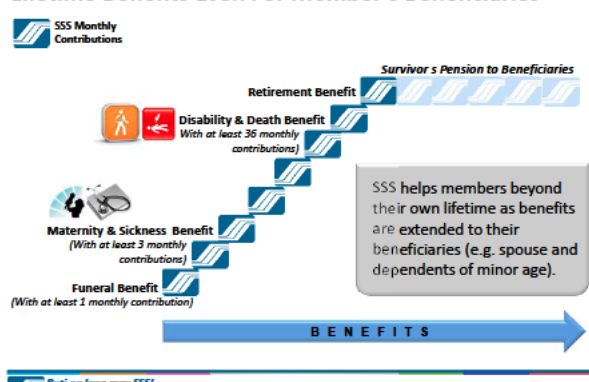


Example: 5% of  
 Monthly Salary

Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!

### Lifetime Benefits Even For Member's Beneficiaries

SSS Monthly Contributions



SSS helps members beyond their own lifetime as benefits are extended to their beneficiaries (e.g. spouse and dependents of minor age).

**BENEFITS**

*Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!*

### SSS Contribution

**Contribution = Monthly Salary Credit \* Cont Rate**

**Example monthly contribution:**  
1,760 = 16,000 \* 11%

*Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!*

### Main Pension Idea

**Replacement Rate** x **Salary Average Monthly Salary Credit**

**2% per Credited Year of Service** x **Average Monthly Salary Credit**

*Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!*

### SSS Pension formula: The highest of :

PHP 300 + 20% of AMSC<sup>1</sup> + 2% of AMSC for each CYS<sup>2</sup> in excess of 10 years

40% of average MSC

Minimum guaranteed pension

**Retirement**


- PHP 1,200/month if 10 < CYS < 20
- PHP 2,400/month if CYS ≥ 20

**Disability & Death**

- PHP 1,000/month if 3 < CYS < 10
- PHP 1,200/month if 10 ≤ CYS < 20
- PHP 2,400/month if CYS ≥ 20

<sup>1</sup>Average Monthly Salary Credit  
<sup>2</sup>Credited Years of Service

*Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!*



**Name of Pensioner:**  
FELISA A. PORCA

**Age:**  
83

**Marital Status:**  
WIDOW

**Area of Residence:**  
RODRIGUEZ, RIZAL

**Previous Occupation:**  
FACTORY WORKER

**Member Since:**  
JUNE 1960

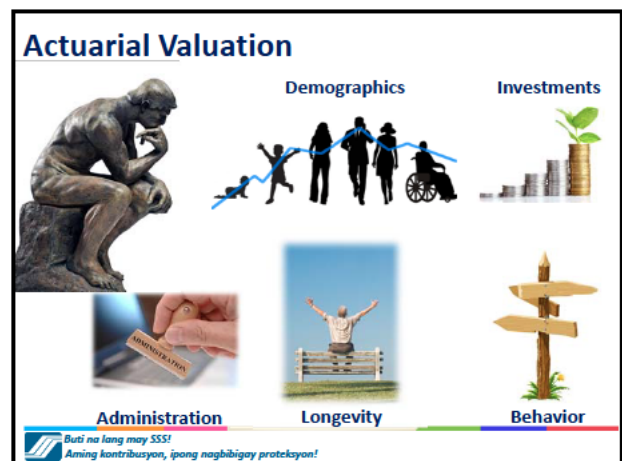
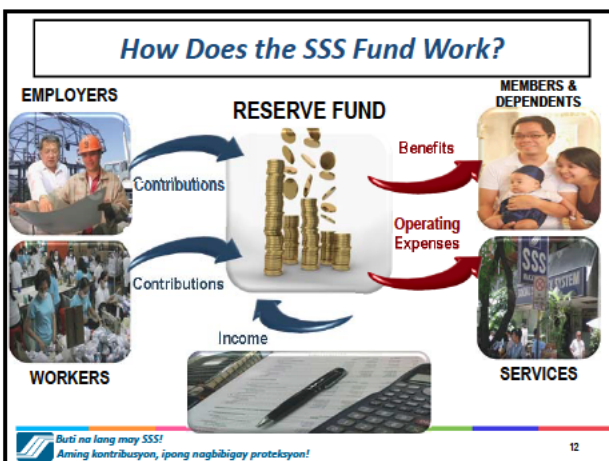
TOTAL AMOUNT OF CONTRIBUTIONS OF FELISA AND FORTUNATO PORCA	TOTAL CASH BENEFITS RECEIVED
P37,117.62	P961,510.32 (as of August 2016)

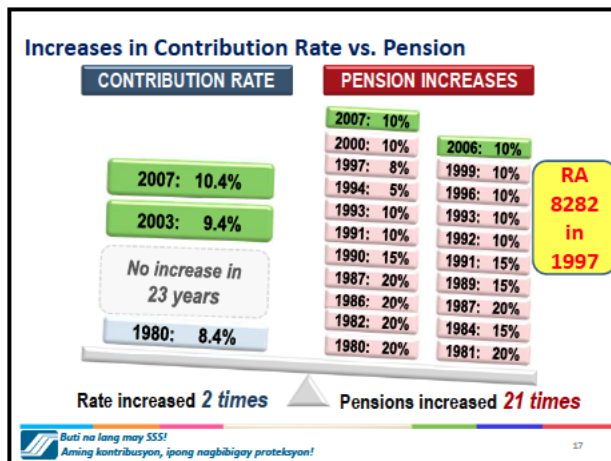
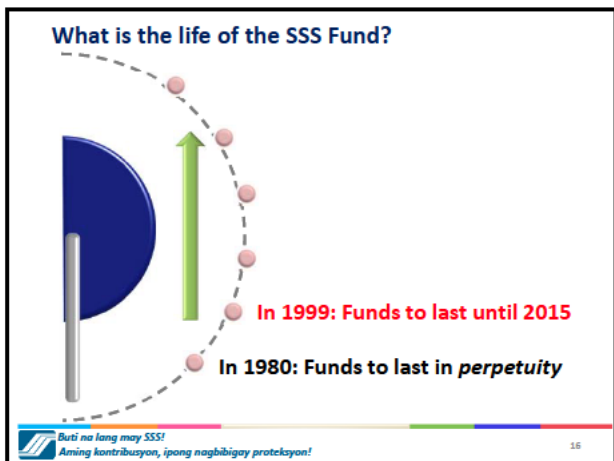
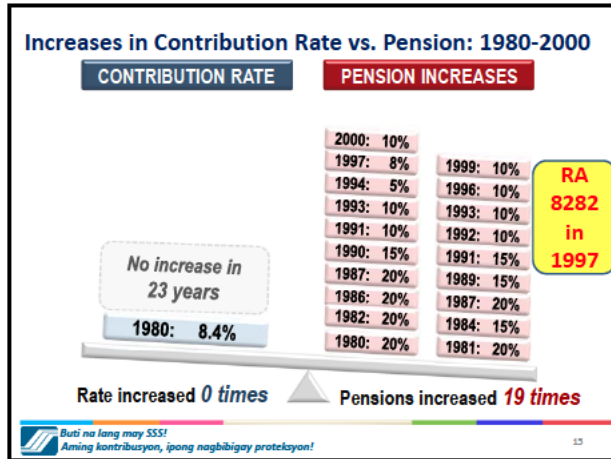
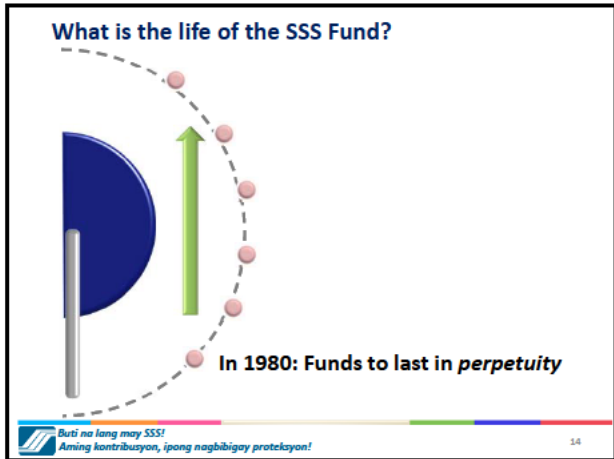
Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!

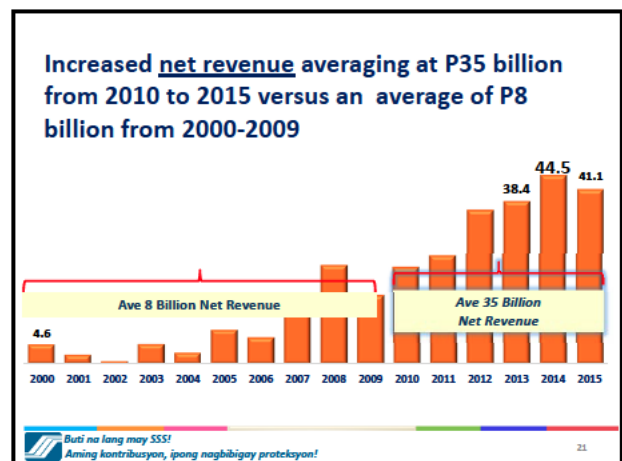
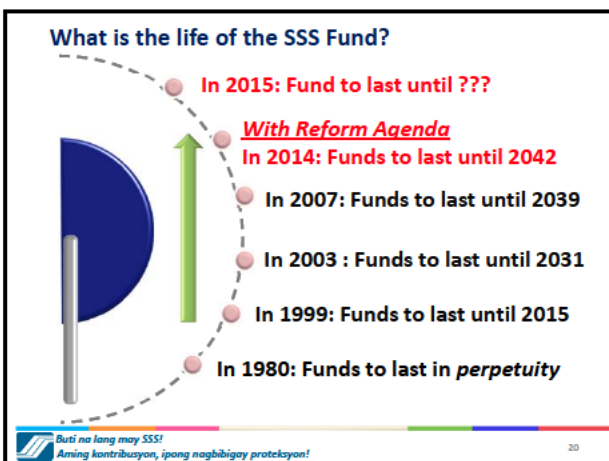
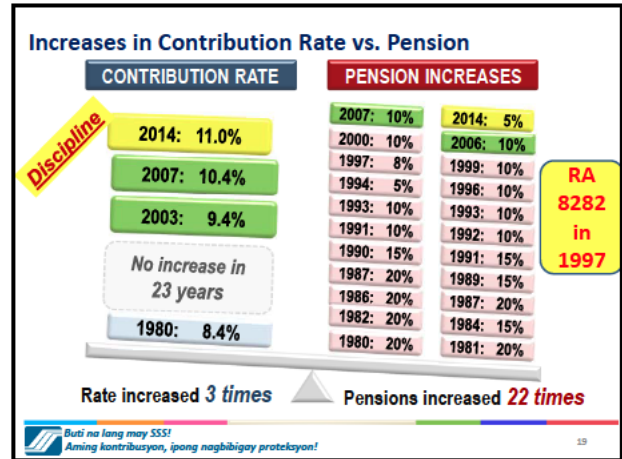
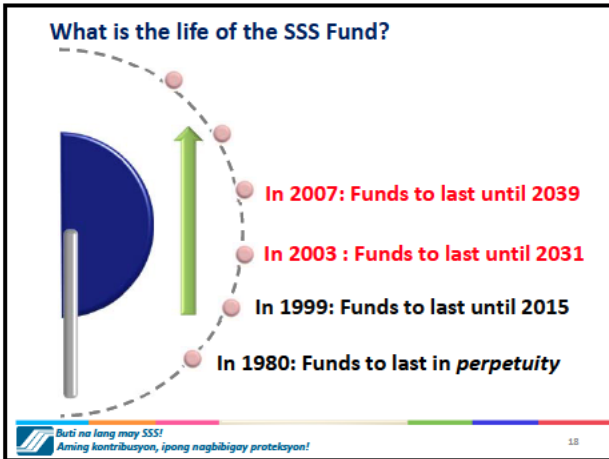
SSS BENEFITS	TOTAL BENEFIT PAYOUTS
<b>Felisa A. Porca</b>	
Retirement Pension	P147,360.00
Death Pension as legal beneficiary of Fortunato	P798,150.32
Funeral benefits (as legal beneficiary)	P8,000.00
<b>Fortunato P. Porca</b>	
Partial Permanent Disability	P10,829.82
Death with Funeral*	(given to legal beneficiary)

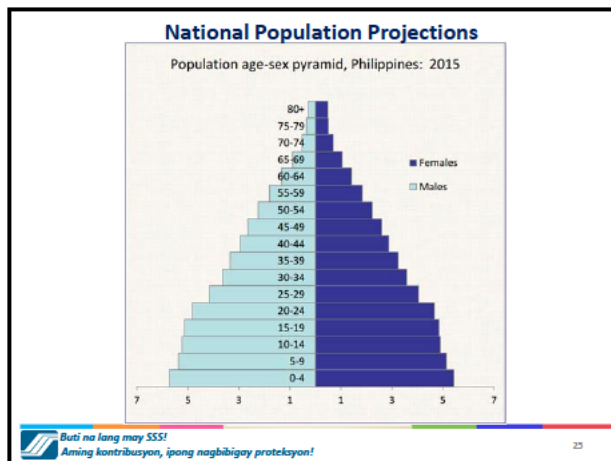
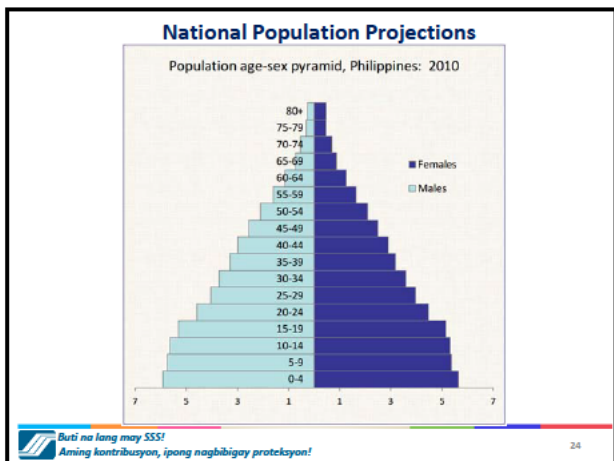
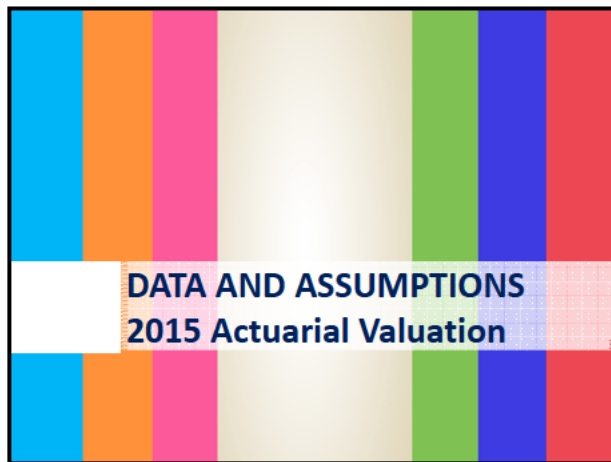
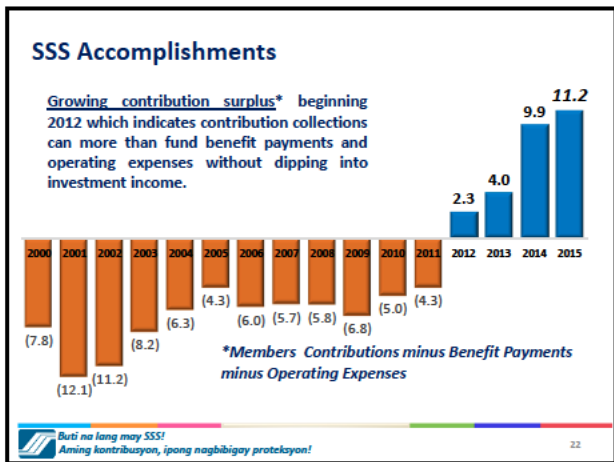
Combined ROI = 17.1%

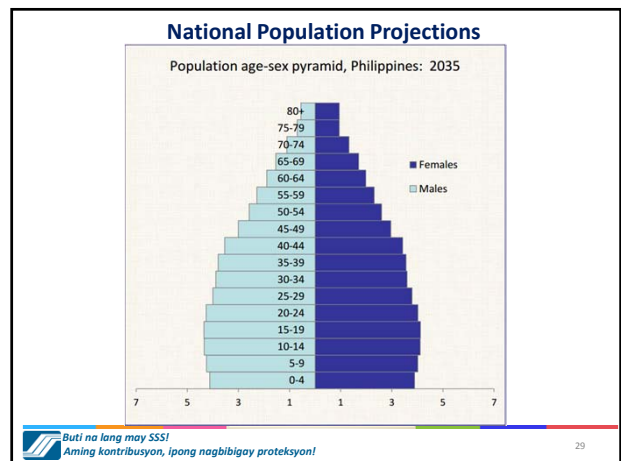
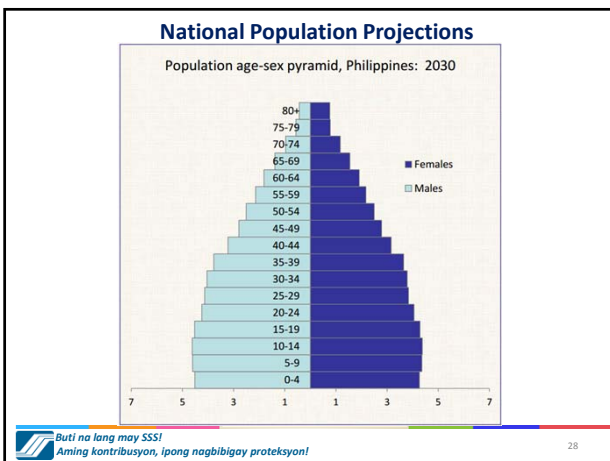
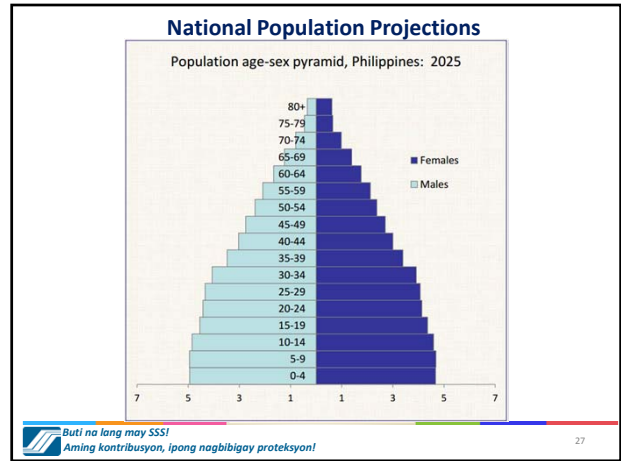
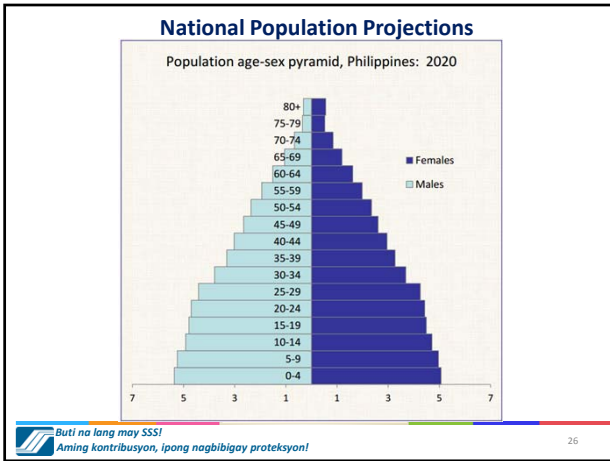
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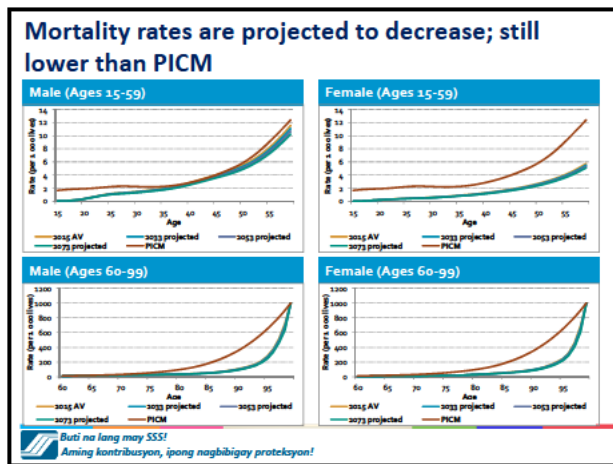
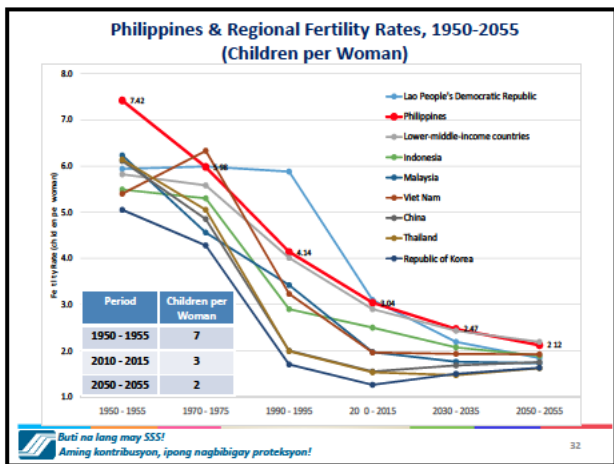
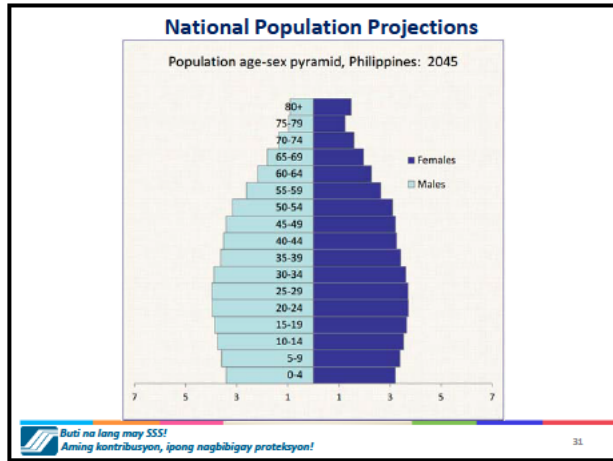
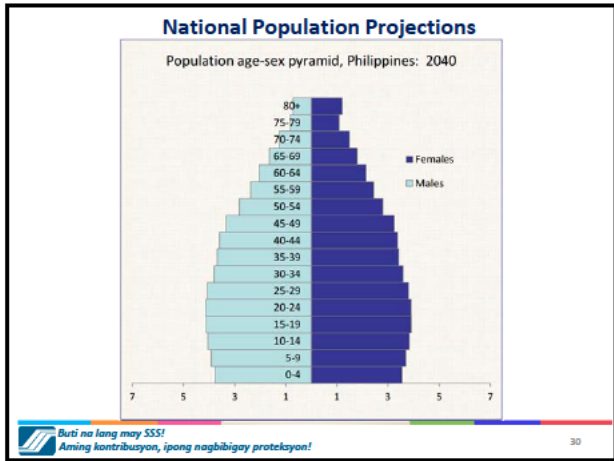




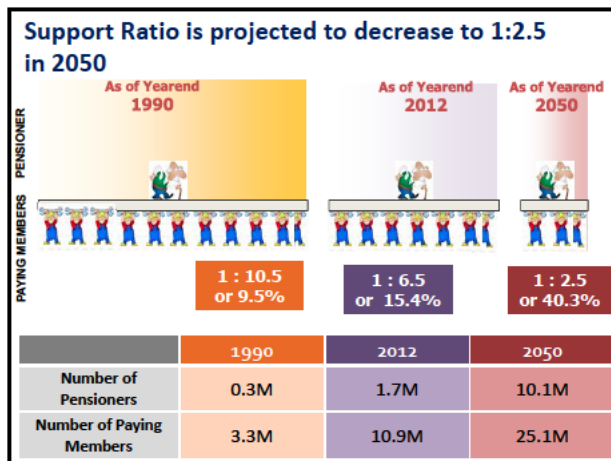
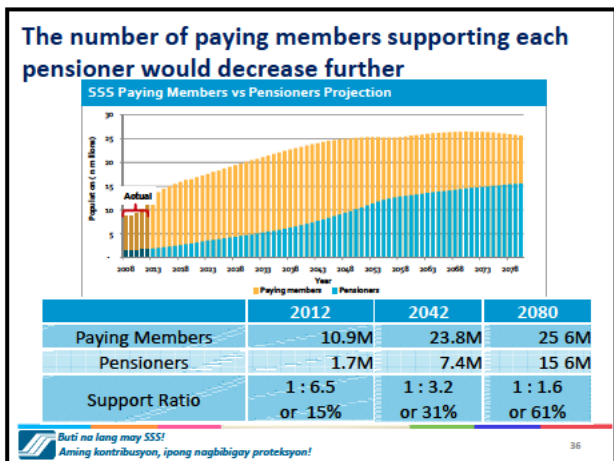
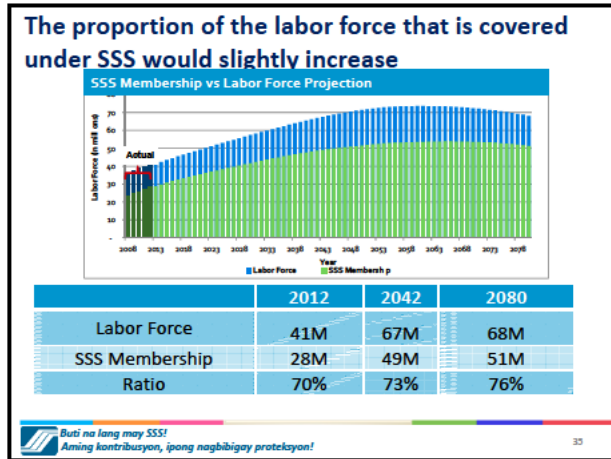
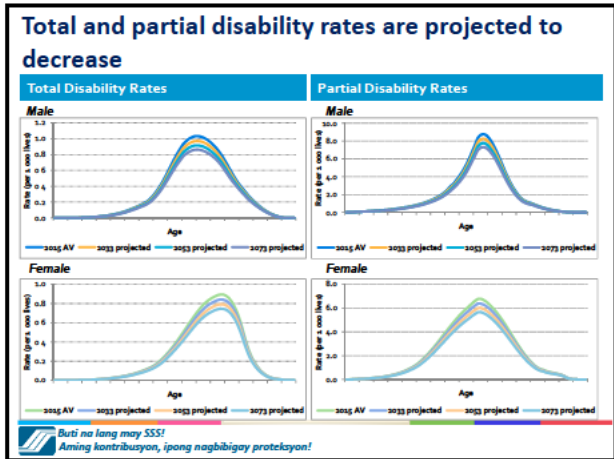






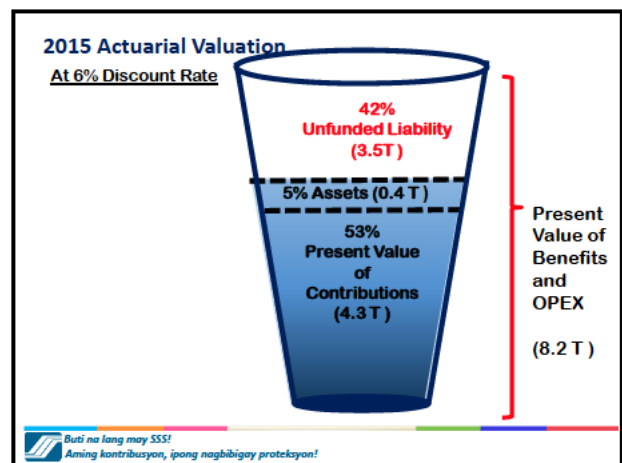
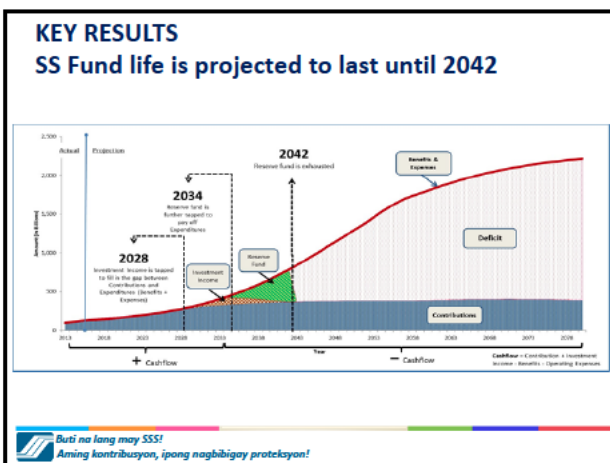
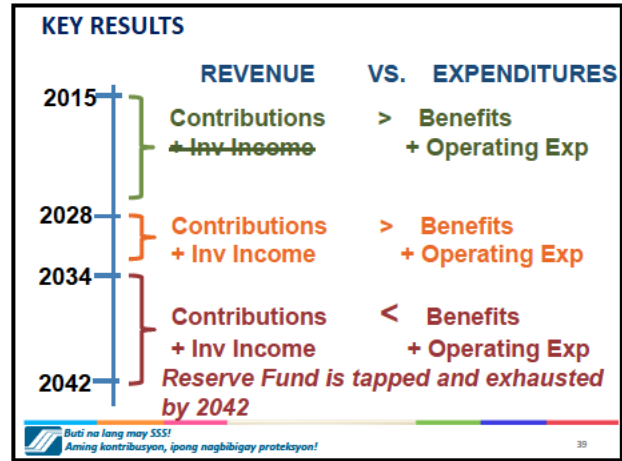






# RESULTS

## 2015 Actuarial Valuation

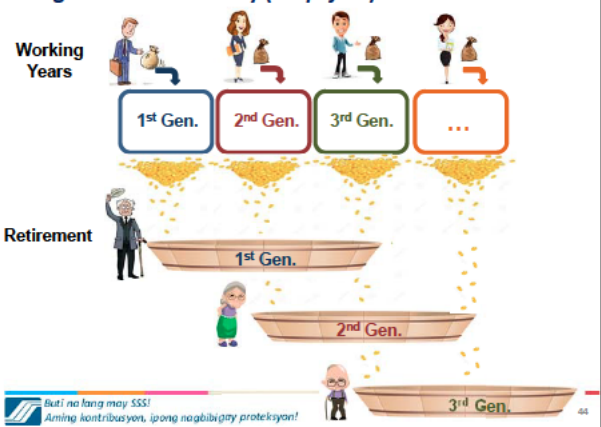


**KEY RESULTS – 2015 Actuarial Valuation**

- **Fund Life = 2042**
- **Unfunded Liability = PHP 3.5 \* 10<sup>12</sup>**
- Challenges moving forward
  - Market: Low interest environment
  - Demographics
    - Lower fertility rate
    - Longer life span
    - Decreasing support ratio

***Is collection without increasing contribution rate of 11% the answer?***

**Intergenerational Subsidy (simplified)**



**2015 Actuarial Valuation Recommendations**

- Continue efforts to increase the contribution rate, minimum and maximum monthly salary credits
- Continue efforts to increase pensions and other benefits
  - \*These require the approval of the President of the Philippines.
- Review benefit eligibility including raising retirement age
- Conduct a study that will revisit the pension formula
  - \*These may require legislative action before changes can be made.
- Continue efforts to improve contribution collection, ER compliance
- Prudently maximize the investment income.

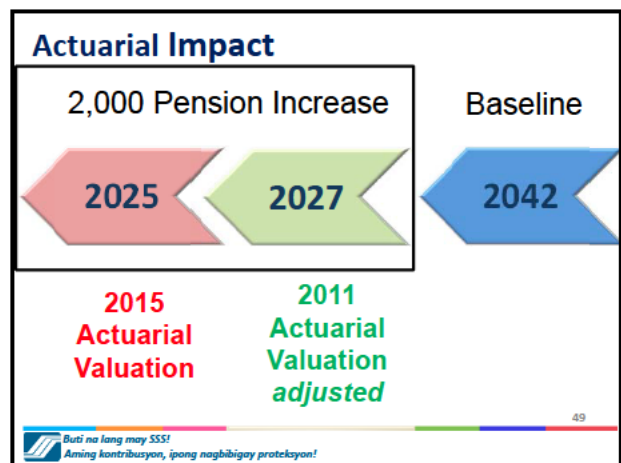
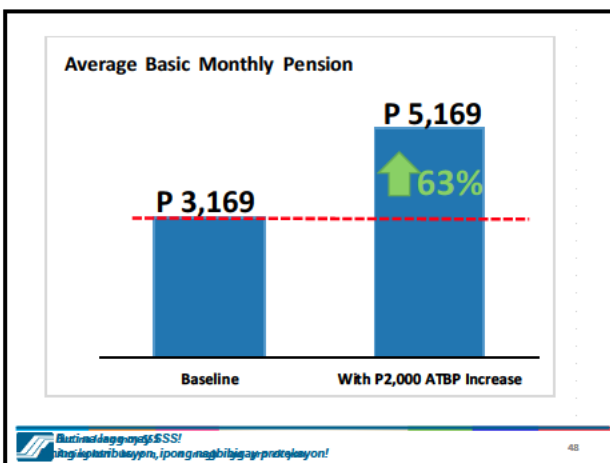


### Cost of P2000 Pension Increase for the First Year

Number of Pensioners	2.15 Million
Multiplied by: Across-the Board Pension Increase	Php2,000
Monthly Cost of Pension Increase	Php 4.3 Billion
Multiplied by: Number of Months	13
Cost of Pension Increase	<b>Php56 Billion*</b>

*\*Required funding is expected to further increase as the number of pensioners grow every year.*

Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!



### 2015 Income Statement (in billions)

SSS 2015 Financial Status	
<b>Revenues</b>	
Contribution Collection	131
Investment Income	28
<b>Expenditures</b>	
Benefits	111
Operating Expenses	9
<b>Net Revenue</b>	39

Assume same financial in 2016 but with 2000 pension increase:

Less: Proposed P2,000 ATBP	56
<b>DEFICIT</b>	<b>(17)</b>

*Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!*

### One-time Across-the-board Pension Increase

	Baseline	P2,000 pension increase
Liability In trillions 10 <sup>12</sup>	3.9	6.3
Fund Life	2042	2025
Required Contri Rate		17%

*Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!*

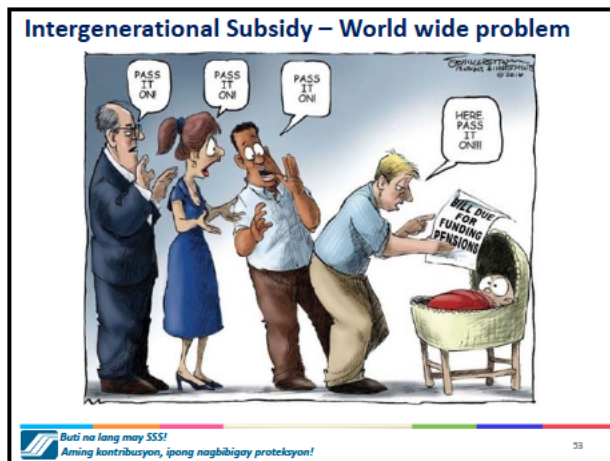
**P500 Pension Increase**

↔

**1.5% Contribution Increase**

*On average, a P500 monthly pension increase will require P5 additional contribution per day, which will be shared by ee and er.*

*Buti na lang may SSS!  
Aming kontribusyon, ipong nagbibigay proteksyon!*





**Buti na lang may SSSI!**  
*Aming kontribusyon, ipang nagbibigay proteksyon!*