

SSS to run out of funds in 10 years, says ex-chief

By Michael Lim Ubac

THE FINANCES of the Social Security System will dry up by about 2015, after which the government would have to subsidize the state-run pension fund's liabilities up to 2065, further impacting on the government's fiscal health, according to a former SSS president.

Vitaliano Nañagas, who now chairs the Development Bank of the Philippines, said this at a strategic planning workshop for senators yesterday where he was invited to comment on proposed financial reforms.

Nañagas, who relied on an actuarial study presented earlier by **Dr. Mario Lamberte**, president of the **Philippine Institute of Development Studies**, stressed that the quality of the state-run pension funds- both the private-employee SSS and the government-sector Government Service Insurance System-would have long-term effects on the economy.

Lamberte said in his study that the deteriorating actuarial fund life and fund ratio of the SSS would "hit rock bottom" in 2015, after which the study showed that the government would have to subsidize up to P1.2 trillion in "unfunded liabilities" of the SSS up to 2065.

Nañagas said this scenario was already starting as the "amount of claims have already exceeded the amount of contributions received" by the SSS since 1999.

He agreed with Lamberte that the immediate solution was to raise the SSS contribution rate.

State employees who are members of the GSIS are marginally better off as the GSIS would have a longer life span.

Lamberte said that based on projections of the GSIS social insurance fund, the GSIS' yearly benefits would exceed the contributions of the members only in 2024, expenses would exceed revenues in 2056 and reserves would run out in 2068.

A separate study by the World Bank said however that the yearly expenses of the GSIS would exceed revenues in 2025, while reserves would run out in 2041, according to Lamberte.

Sen. Manuel Villar suggested jokingly that the retirement age be extended from the present 65 years old.

"There's the possibility that by 2065, the life expectancy would be 150. So we can extend the retirement age to about 130, isn't it?" said Villar, eliciting chuckles from the audience.

Sen. Ralph Recto suggested that the two pension systems be merged and the scheme changed from a pension fund to mutual fund so that the government's financial involvement in the two agencies would be limited.

SOURCE: Philippine Daily Inquirer (23 Oct. 2004)