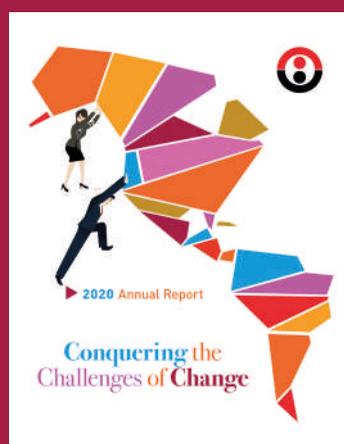


▶ **2020** Annual Report

Conquering the Challenges of Change

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ABOUT THE COVER

Conquering the Challenges of Change

When the pandemic struck in 2020, everyone, from businesses to individuals, was forced to adapt to a newer and more challenging way of living. Organizations, companies, and entrepreneurs, had to adjust their business operations to ensure that their line of work remained viable and relevant.

For PERAA, the challenge to maintain the organization's robustness and liquidity was of utmost importance. It was also the motivation of each employee and member of the association.

This annual report seeks to put into focus the tireless and unified effort of the entire PERAA Team. It also serves as a record of how PERAA triumphed the uncertainty of 2020 with vigor, hope, and determination.

Summary of Operations

	December 31, 2020	December 31, 2019
ASSETS	7,731,475,647	7,549,910,088
Total Members' Fund	7,281,310,477	7,090,159,046
Contribution of Members	515,919,608	496,362,818
Investment Earnings	271,864,502	425,554,568
Unrealized Gain on FVOCI Investments	19,778,448	93,928,745
Remeasurement losses on retirement plan	(8,458,571)	-
Net Investment Earnings	283,184,379	519,483,313
Credited Rate of Interest	4.03%	7.34%
BENEFIT PAYMENTS		
Retirement	327,235,353	260,704,478
Repurchase	69,566,701	87,877,740
Payment of benefits from Reserve Fund	154,045,273	123,941,571
Forfeited benefit claims	19,353,830	13,402,669
Death	8,000,766	11,400,581
Separation-from-Service	20,880,296	6,084,464
Disability	23,931	-
TOTAL BENEFIT PAYMENTS	599,106,150	503,411,503
Multi-Purpose Loans	201,736,719	218,150,126
Operating Expenses	56,624,368	66,581,226



Message from the **Chairman**



In the name of the PERAA Board of Trustees and its Management and Staff, I pray for the good health and safety all PERAA Member-Employees and for the continuing successful endeavors of our Participating Institutions to serve our people in the midst of these difficult and truly challenging pandemic times.

FR. ANTONIO S. SAMSON, S.J.
PERAA Board of Trustees
Chairman

CHALLENGES OF 2020

The COVID-19 global pandemic has posed a huge challenge to every nation's government, health care services, business community and citizens, indeed to life in the whole world. With each sector finding ways and means to win the battle and to adapt to a new really still unknown normal, PERAA too needed to adapt innovative business practices to stay afloat and relevant.

We had to continue to deliver our services even with the lockdowns and restrictions, minding more than ever the circumstances of our member schools and

the plight of our member employees and of our PERAA employees. We maintained our communications and opened more lines for continued accessibility to our members most especially to the individuals who found themselves afloat with suddenly no income to support their families.

With a still unknown new normal on how we live our lives today and with the new business practices innovated by companies big and small, we promise that PERAA will continue to serve you. We will continue to strengthen our services, expand our accessibility to

members and upgrade our systems to be web-based ready for any eventualities such as this crisis.

Now on its 49th year in service to private education, PERAA has expanded its reach to our members' affiliates and associates. It started in 1972 with 14 Participating Institutions; 335 member-employees and with only ₱420,000 retirement contribution. Now, even with the pandemic, we are proud to inform you that we have seven (7) new member institutions for a total of 1908 Participating Institutions with 72,746 member-employees and ₱7.28 million in retirement contributions.

We continued to stay focus mainly on capital preservation, seizing now more than ever every opportunity to grow the fund and at the same time keeping it as safe as possible. I am very pleased to inform you that we have withstood the challenges of this global pandemic and were able to generate a 4.03% Return on Investment (ROI) for Fiscal Year 01 January 2020 to 31 December 2020.

Due to the uncertainties of the ongoing pandemic and after legal advice and due consideration, we decided to cancel PERAA's annual meeting originally scheduled for July 2020. I wish to inform you that for Fiscal Year 01 January 2019 to 31 December 2019, we generated a 7.34% Return on Investment (ROI).

I am grateful to the Board of Trustees for their expertise and commitment: since the pandemic came causing government mandated lockdowns (with our lockdowns in the Philippines being the longest among all nations in the world) the Board of Trustees has continued with its regular meetings on Zoom. I thank PERAA Management and Staff for their determination and dedicated work in the midst of the challenges and dangers of these turbulent times.

In the name of the PERAA Board of Trustees and its Management and Staff, I pray for the good health and safety all PERAA Member-Employees and for the continuing successful endeavors of our Participating Institutions to serve our people in the midst of these difficult and truly challenging pandemic times.

May the good God bless and protect us all.



FR. ANTONIO S. SAMSON, S.J.
Chair, PERAA Board



Message from the Chairman

Report from the President

TO ADAPT TO THE WINDS OF CHANGE, THE PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION HAD LONG PROPELLED ITS SAILS - CONQUERING THE CHALLENGES OF CHANGE

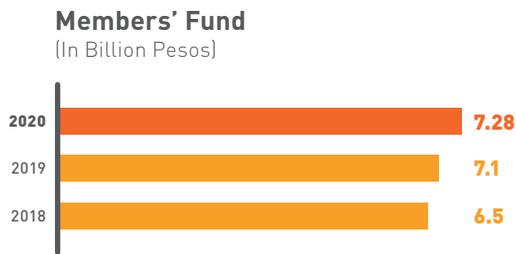
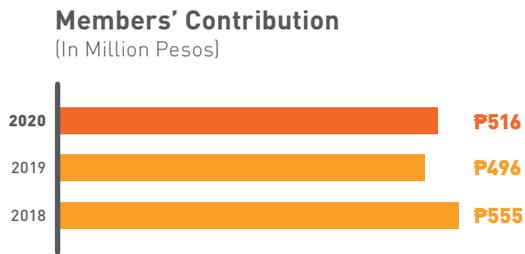
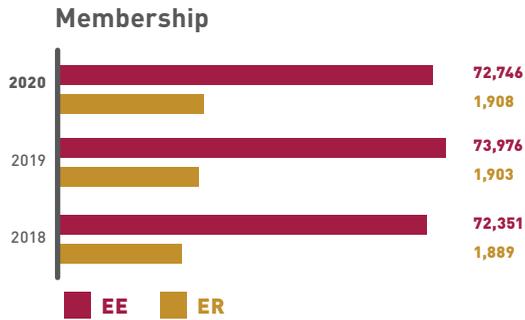
2020 was an unprecedented year. The difficulty at first was not knowing what we were up against. The science that should shape public policies to mitigate the risks and eradicate the threat were painstakingly slow in informing and resulted in confusion when translated into guidelines and restrictions. Since this pandemic started, we have been battling with a global crisis of enormous proportions – upsetting our lives, liberties and livelihoods.

The lockdown stunned all of us in various degrees of paralysis and unabated anxieties. With the restrictions imposed on face to face learning, all the schools had to fend for themselves in adapting to this horrendous reality. Remote learning is the only alternative to ensure the continuity of our students' education and the survival of our institutions. Then, the deluge of challenges came. Our schools were in various forms

BERNADETTE M. NEPOMUCENO
President

Upon the implementation of the Modified ECQ in mid-May where PERAA was one of the industries allowed to open on a fifty percent workforce, Management was quick to embrace a newer way of doing business and had already prepared for a hybrid work set-up.





Conquering this pandemic for more than a year now has strengthen our resolve to process members' benefit claim as swiftly as we can and to offer the best possible solution to our member schools' priorities and circumstances.

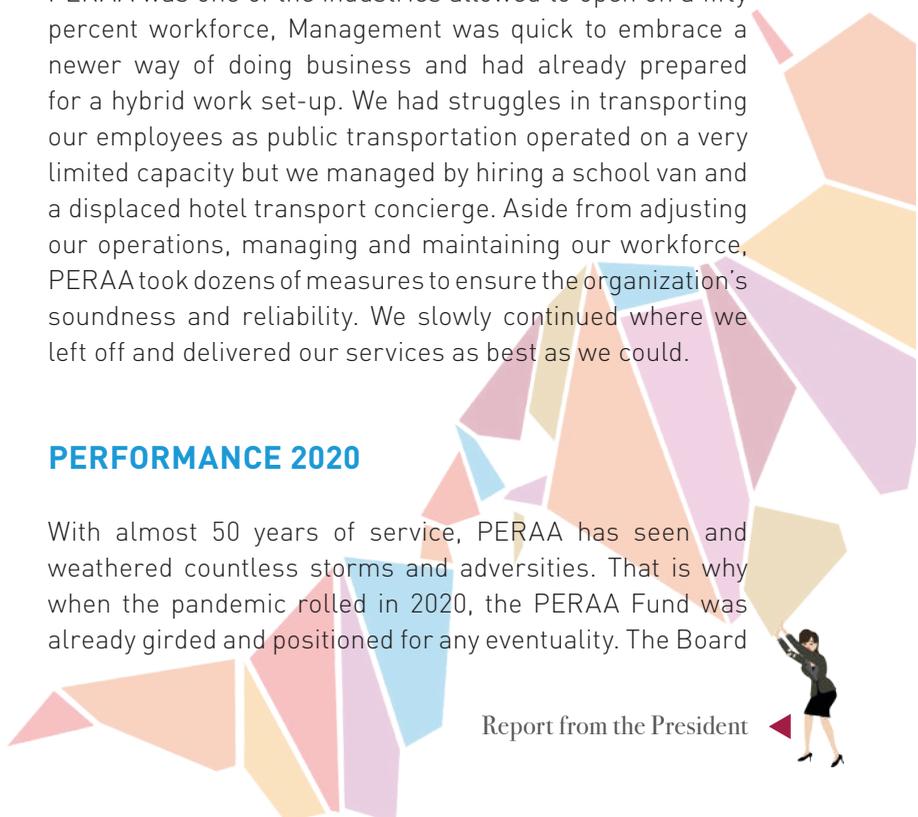
of readiness for digital transformation. Not only were we saddled with swiftly creating distance learning modules but also had to build the infrastructure to deliver in so short a time. Not many students have access to broadband internet, desktops, laptops, tablets or even smartphones which are absolutely necessary for online classes. Even our faculties and staff needed to be retrained for the transition to remote teaching. Our capacity to endure and be resilient was greatly stretched.

PERIOD IN REVIEW

Like many other institutions and companies in our country and around the world, PERAA also suffered from the lockdowns and restrictions implemented by the government. The National Capital Region (NCR) in particular, has been severely affected by COVID-19 crisis which posed a serious challenge for us early on during the implementation of the Enhanced Community Quarantine (ECQ) in March. We have not been able to update our records so that we have not been able to process individual benefit claims and loans. For a brief period, our operation stopped. Upon the implementation of the Modified ECQ in mid-May where PERAA was one of the industries allowed to open on a fifty percent workforce, Management was quick to embrace a newer way of doing business and had already prepared for a hybrid work set-up. We had struggles in transporting our employees as public transportation operated on a very limited capacity but we managed by hiring a school van and a displaced hotel transport concierge. Aside from adjusting our operations, managing and maintaining our workforce, PERAA took dozens of measures to ensure the organization's soundness and reliability. We slowly continued where we left off and delivered our services as best as we could.

PERFORMANCE 2020

With almost 50 years of service, PERAA has seen and weathered countless storms and adversities. That is why when the pandemic rolled in 2020, the PERAA Fund was already girded and positioned for any eventuality. The Board



has long propelled the Fund, strategically, focusing mainly on capital preservation as we remained watchful of the unpredictable market movement and has since strengthened the Fund's capacity to endure any market crisis. Thus, at Calendar Year ending December 31, 2020, the Fund was able to perform a very good Return on Investment (ROI) of 4.03%. This performance understates the difficulties our country and the whole world are facing right now but it only proves the prudent stewardship of your PERAA Board of Trustees.

Investment Earnings

PERAA Fund's Net Investment Earnings for calendar year 2020 ending December 31, 2020 summed up to ₱283.18 million as compared to earnings in pre-covid environment 2019 of ₱519.48 million ending December 31, 2019.

Real Estate investment was one of the most adversely affected industries and PERAA Fund's real estate properties, intentionally made for diversification, were adversely affected. Our Y2 residences property – a condotel – operated slightly above break-even gaining from its enlistment as one of the government's accredited facilities housing incoming OFW for quarantine. Our High Street South property in BGC with one lessee shifted its employees to hybrid set-up, eventually needing only a smaller space to lease. The tenant renegotiated to give up half of their lease area starting January 2021. Our South Center Tower in Alabang has been the most resilient of all as tenants continued with their contract and some even eyeing for expansion. Our total rental income earned amounted to ₱13.49 million with parking rental earnings of ₱336,000.

Assets

PERAA's Total Assets appreciated by 2.39% reaching now to ₱7.731 billion as compared to ₱7.550 billion in CY 2019 ending December 31, 2019



► Conquering the Challenges of Change

Member's Fund

Much to our surprise, even with the closure of schools, total contributions of Members increased by 3.93% summing up to ₱515.92 million for calendar year 2020 ending December 31, 2020 as compared to ₱496.36 million contributions made for calendar year 2019 as of December 31, 2019.

Total Member's Fund now sums up to ₱7.334 as of December 31, 2020 as compared to last year's balance of ₱7.090 ending December 31, 2019.

Benefit Pay-outs

PERAA was able to pay-out benefits of 2,285 members amounting to a total of ₱598.97 million which consists of payments for:

RETIREMENT for **904** members
amounting to **₱464,442,052.73**

DEATH BENEFIT for **33** members
amounting to **₱10,400,058.88**

DISABILITY for **1** member
amounting to **₱23,930.59**

REPURCHASE for **1196** members
amounting to **₱92,953,994.53**

SSB-TOTAL for **137** members amounting
to **₱30,522,396.38**

SSB-NORMAL for **14** members
amounting to **₱624,787.67**

Loan Utilization

Our Multi-Purpose Loan programs benefited a total of 2,892 member-borrowers in calendar year 2020 for a total loan amount of ₱192.23 million as compared to the total loan amount in calendar year 2019 of ₱228.53 for 3,541 member-borrowers. [The decrease in loan borrowers could be attributed to some members being retrenched or displaced because of low enrollment turn-out and school closure].

FULFILLING THE PERAA PROMISE

Conquering the Challenges of Change

In this crisis, we were determined to remain faithful to our mandate to be your partner.

Amidst the lockdowns and mobility restrictions, we continuously delivered, servicing the interests of our members mindful that some of them may be retrenched or displaced and would badly need their money. Under any circumstances where they may be in, we worked hard to expedite their benefit claims and find solutions to their predicaments.

Your Board, keenly aware of the members' welfare in this trying time, has opened a Covid Response Loan program. All member-employees who have been actively contributing their share to the Fund before the ECQ qualified for this program. Existing borrowers either renewed their loan up to 70% of their latest Accumulated Value (AV) or simply applied for the outstanding balance to be restructured to avail of the very low effective interest rate of 3 percent per annum. This new interest rate is significantly smaller than the previous rate structure.

PERAA took advantage of the Philippine's economic recovery program which consists of a series of legislations. One was the enacted Republic Act No. 11469 otherwise known as "Bayanihan To Heal As One Act", a program primarily undertaken by the government for the recovery and rehabilitation of all affected sectors. This was implemented in PERAA by giving a mandatory grace period to all member-borrowers with existing Multi-Purpose Loan (MPL) amortizations. No interest nor penalties have been imposed especially to those who have not paid their loans during the ECQ and Modified ECQ (MECQ) period.

The sudden declaration of ECQ in NCR hampered the updating of individual accounts of our members and the continued suspension of classes and school closure caused applications for benefit to pile up. In view of

the fact that it will take some time to post and update our members' records because of the tedious work of accounting and aggregating all our fund managers' investment transactions, PERAA devised a way for the immediate processing of the members' benefit claim. As the basis for computation of the benefit pay-out, PERAA expedited the release of 80% of the claimants' Accumulated Value (AV). This was to ensure that there will be no overpayment of benefits for those leaving the Fund. PERAA then was able to release the balance of 20% before the year ended.

More and more member-borrowers are benefiting from our electronic loan disbursement and are able to receive their loan proceeds within 2-3 working days upon approval of loan. It remains a challenge, though, to lessen the turnaround time for processing because of delays in the submission of remittance list and completion of requirements.

Conquering this pandemic for more than a year now has strengthened our resolve to find more efficient solutions to our member schools' predicaments and circumstances. We continued to process members' benefit claims as swiftly as we can. Although the imposition of lockdowns made it impossible for us to interact personally, we continued to reach out to our member schools, their affiliates and non-members alike by shifting to digital-based member engagement doing videoconferencing and social media messaging. For the calendar year 2020, we welcomed seven (7) new institutions – five (5) from Luzon and (2) from Mindanao.

LOOKING FORWARD

Staying resilient, robust and liquid in the face of this pandemic and in any crisis we may face up ahead is every institutions' goal. Staying accessible and relevant is PERAA's targeted goal.

As people work from home and children attend school remotely, the digital economy will play a key



role in shaping the country's new normal. It will offer an opportune time for PERAA to pursue its digitization program. We are accelerating the development of a web-based members' management information system which will be remotely accessible so that our operations can continue uninterrupted. It will allow us to quickly and seamlessly provide our members' fund value at any given point and time. It will allow us to access and process benefit claims and loan applications and revert back immediately any missing requirement that may impede the release of the pay-outs and loan proceeds. Best of all, it will allow us to monitor our members' contributions and loan payments and can generate an automated email notification to inform our members of the period when payments have been missed.

We look forward to and expect the turn over of our property investment in The Glaston Tower in Ortigas to be on schedule by the 3rd quarter of 2023. It will gain for the fund stable and modest earnings from the office space and parking rentals.

As the Government safely re-opens the economy and expects to head back to the road of recovery once the virus is contained, PERAA now is one hundred percent operational and is doing its share of strictly implementing protocols to stop the infection. We are optimistic that by year end, all our employees will be 100% fully vaccinated.

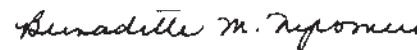
OUR DEEPEST GRATITUDE

Year 2020 was indeed problematic. Not only for the economy but for each one of us, personally. We had to adapt to a new and different way of living and learned how to thrive.

I am grateful for each and every member of the staff's strong willpower in overcoming the challenges of reporting onsite and/or working from home. I count on your determination and dedication to deliver your work well.

I am grateful to the Board of Trustees for their solid governance and remarkable commitment to PERAA. The Management and Staff depend on your faithful guidance in gearing PERAA to the new normal and to greater heights.

My deepest gratitude goes to our members and participating institutions for their continued trust in managing your retirement fund. PERAA exists for YOU. You are the reason why PERAA remains standing for the last 49 years. For this, we, the Board of Trustees, Management and Staff commit ourselves to serve your needs to the best that we can and remain your faithful partner in sustaining your institutions in crisis or not.



BERNADETTE M. NEPOMUCENO

President



Treasurer's Report



VICENTE K. FABELLA
Treasurer
Trustee from NCR

As the whole world suffered from the worst pandemic seen in a century and went on a halt due to unexpected lockdowns and restrictions in mobility, truly, 2020 was a historic year. Horrifying news of unmanageable number of deaths and confinements of sick people challenged every nation's health system into collapsing. Depleting economic state was the inevitable consequence of all these. Global economy contracted by 4.3% for the year. The coronavirus disease (COVID-19) will forever be remembered as the virus that shutdown the world.

ECONOMIC ENVIRONMENT

In the Philippines, the country was already suffering from the effects of the Taal volcano eruption early quarter of 2020 and President Duterte's continued tirades against owners of the country's two major water concessionaires' contracts, before plummeting by a record low of 16.9% in the 2Q 2020. Stringent mobility restrictions under the Luzon-wide Enhanced Community Quarantine (ECQ) were imposed in mid-March cutting business and consumption activities. Philippine stock index dove -48% to 4039 as people stockpiled and fearful citizens emptied supermarket shelves of essential goods. Record-high unemployment

and double-digit drops in Exportation from March to June were some of the effects of Covid-19 as the lockdowns and mass transportation ban restricted production and crippled supply chains. The country's gross domestic product (GDP) plummeted to unprecedented 9.5% drop marking the deepest decline in over three (3) decades since the 7% contraction attributed to the political crisis in 1984.

Investor sentiment, however, gradually improved. As the infection curve flattened and people got accustomed to the situation and mobility slowly progressed, the

market bounced back in October. By the third quarter, GDP expanded +8% against the previous quarter. Aided by selective foreign buying, the Stock market managed to narrow its year-on-year losses to -8.6%, ending the year at 7139.

The improved outlook during the last quarter of 2020 was brought about by expectations of more jobs and permanent employment; additional and above-minimum income; effective government reforms and programs such as the Social Amelioration Program; easing of community restrictions; resumption of businesses, and the expected end of the COVID-19 pandemic when vaccines would have been made broadly available.

PERAA FINANCIAL STANDING

By year end, after fearing how badly this pandemic may have affected the Fund and how the Fund would fare up to the end of the calendar year 2020, we are very pleased to inform our Members that the PERAA Fund Return on Investment (ROI) was a positive 4.03%.

The Fund benefited from the upturn performance of our local Fund Managers (FM) who were heavily holding fixed income investments that did well in 2020. Aided by our well balanced asset allocation, the Fund gained a Net Investment Earnings of ₱283.18 million for calendar year 2020 ending December 31, 2020. This is far less than what we earned in CY2019 of ₱519.48 million but still a strong performance considering the economic challenges the pandemic has brought about.

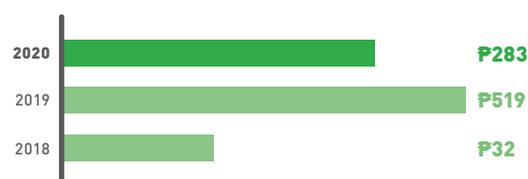
PERAA Fund’s Total Assets grew to ₱7.73 billion ending December 31, 2020, an increase of 2.38% as compared from December 31, 2019 reported Assets of ₱7.55 billion.

Net Assets Available for Distribution to members increased by 2.77% or ₱197.61 million in figures bringing the total to ₱7.33 billion as compared to ₱7.14 billion ending December 31, 2019.

Assets
(In Billion Pesos)



Net Investment Earnings
(In Million Pesos)



Our Multi-Purpose Loan (MPL) programs continuously yielded for the Fund 5.567% of stable earnings. We expect a lower yield in 2021 as we extend the Covid Response Loan program with reduced interest rates.

In summary, PERAA Fund’s profile ending December 31, 2020 is as follows:

Equity	2,219,099,103	(29.30%)
Fixed Income	4,255,767,174	(56.20%)
Alternative Investments	1,097,688,795	(14.50%)
Total Investments	7,572,555,072	(100.00%)

PERAA STRATEGIES

Historically during turbulent times, stocks fall and bonds rally. This is because bond assets are viewed as safer investments– which in turn result in yields falling and price rising. The early part of lockdowns posted yields at ultra-low levels. US treasury yields stayed near zero as US Federal Reserve signaled low for long as they remain accommodative of the monetary policy to help the economy survive. However, with very limited room to fall further, the efficacy of this mechanism often runs short.



► **Conquering the Challenges of Change**

With this as a guiding principle the PERAA Fund executed the same. Early April of 2020, at the hype of uncertainties, the PERAA Board shifted towards more cash and increased its allocation in bonds-particularly sovereign issuances. We opened a sub-account with our existing local fund manager to create a US Dollar Fixed Income Trading Strategy (PURE SOVEREIGN) portfolio for our internally managed fund so the Fund can prudently steer the extreme uncertainty faced by every investor during challenging times while capturing opportunities. This strategy has helped the Fund post a strong rebound recovery as things slowly settled and provided direction. We ramped up even the US dollar denominated Philippine corporate bond as we saw offerings on these investments with huge discounts. And for a short-window of three months, we liquidated the sovereign bonds holding and reinvested it in an Indian- equity hedged fund. Since PERAA's participation in hedged funds, we have already gained an absolute return of 13.48% including forex effects.

The stock investment being a risky asset remained under extreme challenge as of 1Q of 2020. Domestic stocks, particularly, posted the most challenging as mobility restrictions and the never-ending lockdowns remained the greatest hurdle of every company, big or small. The target was simply – to survive. Growth and gains were merely wishes. Global equities showed some respite and eventually posted recoveries before end of 2020. PERAA Fund's exposure to this investment did not disappoint and delivered positive results for Fund.

USD/PHP has been one of the challenges second to domestic equities. As peso appreciated by 5.16%, we booked forex translation losses of ₱115.84 for 2020.

As mentioned, the main driver of growth for the PERAA Fund during 2020 was the hefty allocation in domestic fixed income investments (32% of total portfolio). Another driver was our timely and perceptive decision of increasing our global equities investment allocation to 15% in technology and healthcare companies prior to pandemic. With everyone shifting and depending on technology and every rich nation racing to produce

vaccines against COVID-19, these two industries have become the essential need of the world. Their growth and earnings have multiplied over a short period of time.

MOVING FORWARD 2021

While many global economic forecasts see a surge in 2021, your Board will continue to mitigate risks as uncertainties still cast a shadow on how this pandemic will regress.

While the Philippine government's fiscal programs and Banko Sentral's accommodative and wide range regulatory relief measures may help put the country's economy on a firm recovery path, challenges still remain on how fast Covid-19 vaccination rollout can achieve herd immunity. With the emergence of new variants across the globe and vaccine supply shortages, there will surely be disruptions on the government's recovery measures which will have an impact to the Fund.

While the PERAA Board is as always focused on its long-term potential growth, it will continuously be prudent in managing the Fund. Cautiously allocating for short-term profitability where it is appropriate and constantly observing that capital preservation remains our core investment strategy.

While this coronavirus disease continues to cripple our ailing member institutions, we promise to responsibly safeguard and secure the hard earned contributions of our committed members cushioning the Fund from the adverse impact of this Covid-19 crisis.

Together, we shall continue to triumph in the face of this pandemic.

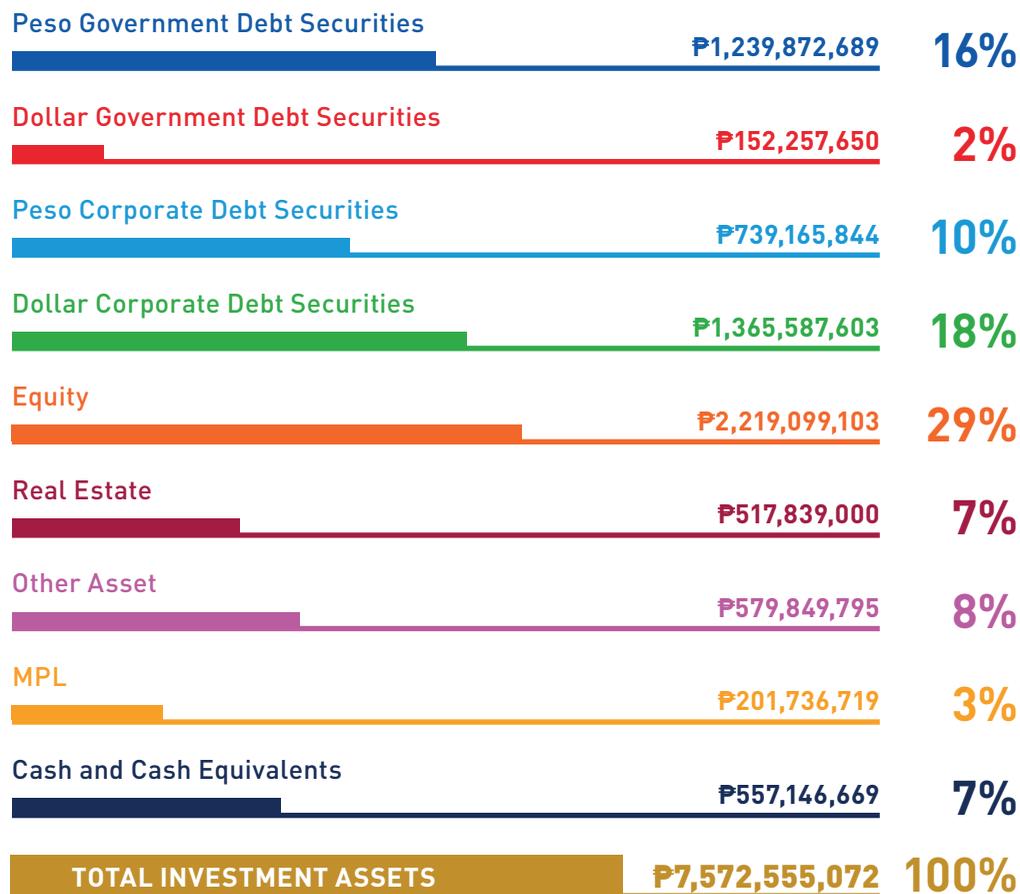


VICENTE K. FABELLA
Treasurer
Trustee from NCR



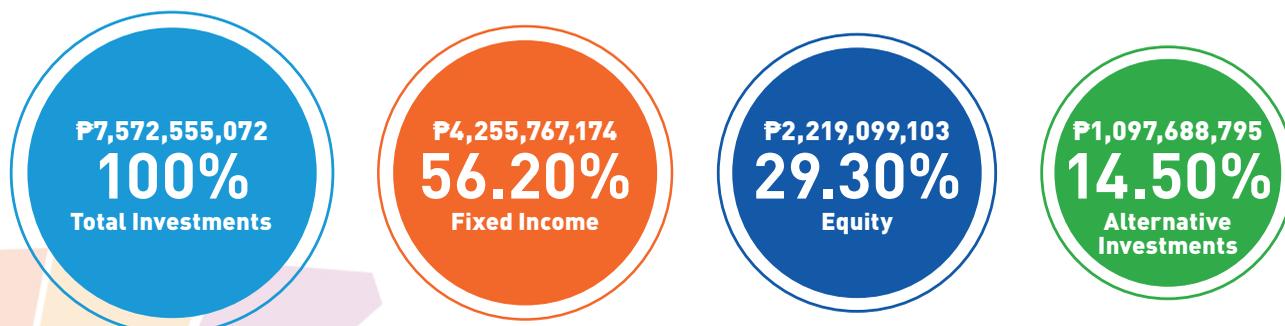
Investment Portfolio

As of December 31, 2020



Investment Profile

December 31, 2020



- Fixed Income includes Cash and Cash Equivalents as well as MPL
- Alternative Asset includes the following:
 - a. Investment Properties amounting to ₱517 million
 - b. Partial payment for The Glasston Towers (parked in Other Asset) amounting to ₱231 million.
 - c. Input VAT amounting to ₱54Mn
 - d. Other Alternative Asset for Funds amounting to ₱294Mn

The PERAA Board of Trustees



Fr. Antonio S. Samson, S.J.
CHAIRMAN / TRUSTEE (Visayas)



Bernadette M. Nepomuceno
PRESIDENT



Fr. John Christian U. Young
VICE CHAIRMAN / TRUSTEE (Mindanao)

The PERAA Board of Trustees



Vicente K. Fabella
TREASURER / TRUSTEE (NCR)



Elizabeth Quirino-Lahoz
TRUSTEE (At-Large)



Karen Belina F. De Leon
TRUSTEE (At-Large)

The PERAA Board of Trustees



Patricia Bustos-Lagunda
TRUSTEE (Luzon)



Fr. Roberto C. Yap, S.J.
TRUSTEE (At-Large)



Br. Raymundo B. Suplido, FSC
TRUSTEE (At-Large)



Sr. Caroline Saculles Capili, OP
TRUSTEE (At-Large)

Board of Trustees Profiles



FR. ANTONIO S. SAMSON, S.J.

Chairman / Trustee (At-Large)

Vice Chairman, Sacred Heart School - Ateneo de Cebu

ACADEMIC BACKGROUND: • Doctor of Philosophy, Chemistry, Brandeis University, Waltham, MA, USA • M.A. in Chemistry, Brandeis University, Waltham, MA, USA • M.A. in Philosophy, Berchmans College, Cebu City • Bachelor of Arts in Chemistry, Ateneo de Manila University, Quezon City

• Trustee/Chairman - Private Education Retirement Annuity Association (PERAA) • Chairman - Federation of Accrediting Agencies of the Philippines (FAAP) • Chairman - Realty Investments, Inc. (RII) • Vice Chairman - Sacred Heart School - Ateneo de Cebu, Mandaue City • Vice Chairman - Philippine Institute of Pure and Applied Chemistry (PIPAC) • Director - Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) • Former President - Ateneo de Davao University • Former President - Xavier University • Former President - Davao Medical School Foundation • Former Executive Vice President - Ateneo de Manila University

BERNADETTE M. NEPOMUCENO

President

ACADEMIC BACKGROUND: • M.A. in Psychology (candidate) (Ateneo de Manila University) • A.B. Psychology (University of the Philippines)

• President, Private Education Retirement Annuity Association • Member, Board of Directors, First Metro Save and Learn Mutual Fund • Founding Member, Friends of Jung

REV. FR. JOHN CHRISTIAN U. YOUNG

Vice-Chairman / Trustee (Mindanao)

President, Father Saturnino Urios University

ACADEMIC BACKGROUND: • Doctorate in Missiology, Pontifical Gregorian University, Rome, Italy • Licentiate in Missiology, Pontifical Gregorian University, Rome, Italy • M.A. Pastoral Ministry, Ateneo de Manila University • Bachelor of Sacred Theology, Loyola School of Theology, Ateneo de Manila (Granted by Fu Jen Catholic University, Taipei, Taiwan)

• President - Father Saturnino Urios University • Trustee/Vice Chairman - Private Education Retirement Annuity Association (PERAA) • Trustee - Boy Scouts of the Philippines, Agusan Council • Trustee - National Economic Research and Business Assistance Center (NERBAC) Caraga • President - Private Schools Athletic Association (PRISAA) Caraga • Board of Director and Accreditor - Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) • Convenor - Save Taguibo Watershed Network (STWN) • Board Member - De La Salle John Bosco College, Mangagoy, Bislig City • Board Member - Asian University Digital Resource Network (AUDRN) • Member - Philippine Association of Catholic Missiologists • Board Member - Mindanao Studies Consortium Foundation, Inc. (MSCFI) • Vice Chairman - Foundation for Philippine Environment • President - Father Saturnino Urios University Foundation, Inc. • Representative, Civil Society Organization - Local Investment Board, City of Butuan • Former Board Member/Finance Committee - Catholic Educational Association of the Philippines (CEAP) NHEC



► Conquering the Challenges of Change

VICENTE K. FABELLA**Treasurer / Trustee (NCR)**

Jose Rizal University, President

ACADEMIC BACKGROUND: • Ph.D. in Business Administration (University of the Philippines, Diliman, Q.C.) • A.B. Economics and Development Studies (Brown University, R.I.) • Master in Business Administration (Columbia Business School, N.Y., U.S.A.) • Master in Public Administration (Columbia School of International and Public Affairs, N.Y., U.S.A.)

- President, Jose Rizal University

ELIZABETH QUIRINO-LAHOZ**Trustee (At-Large)**

Chairman and President, Technological Institute of the Philippines

ACADEMIC BACKGROUND: • Doctor of Philosophy in Education Major in Educational Administration, University of the Philippines • Master in Business Administration for Senior Executives and Professionals, Ateneo de Manila University Graduate School of Business • AB in Communication Arts, Maryknoll College • Most Outstanding Dissertation, College of Education, University of the Philippines, 2006 • Distinguished Educator by the University of the Philippines Education Alumni Association (UPEAA), 2010 • Class Valedictorian, Magna Cum Laude, and Communication Arts area awardee, Maryknoll College, 1973

- Chairman of the Board of Directors/President, Technological Institute of the Philippines • Member, Board of Trustees, Philippine Association of Colleges and Universities (PACU) • Amazing Alumni Achiever Awardee 2018, Maryknoll/Miriam College Alumni Association • Go Negosyo's Inspiring Women Entrepreneurs of 2016, under the Large Enterprise Category • PLT Eminent Filipino Women Educators Award, Pi Lambda Theta (PLT), 2013

KAREN BELINA F. DE LEON**Trustee (At-Large)**

Misamis University, President

ACADEMIC BACKGROUND: • Executive Education Course, Lee Kuan Yew School of Public Policy in National University of Singapore last May, 2019 • Doctor of Education Major in Educational Management (Misamis University) • Master in Business Administration (M.U.) • Doctor of Medicine, University of the East Ramon Magsaysay Memorial Medical Center • Bachelor of Arts (University of the Philippines)

- President, Misamis University • President, Misamis Bank, Inc.

PATRICIA BUSTOS-LAGUNDA**Trustee (Luzon)**

Baliuag University, President

ACADEMIC BACKGROUND: • Ph.D. in Educational Leadership and Management (Executive Program) Degree Program with Distinction (De La Salle University, Manila) • Master in Business Administration (Asian Institute of Management, Makati) • Bachelor of Arts in Economics (University of the Philippines, Diliman, Q.C.)

- President and Board Member, Baliuag University • Regional Vice President for Luzon, Philippine Association of Colleges and Universities (PACU)

FR. ROBERTO C. YAP, S.J.**Trustee (At-Large)**

Board Member, Loyola School of Theology

President, Ateneo de Manila University

ACADEMIC BACKGROUND: Graduated with Honors – Bachelor of Arts in Economics • Doctor of Philosophy in Economics, University College London, UK • Masteral in Public Policy, Harvard University, Cambridge MA, USA • M.A. in Theology, Ateneo de Manila University • Bachelor in Sacred Theology, Loyola School of Theology • M.A. in Economics, New School for Social Research, New York, USA • Bachelor of Arts in Economics, Ateneo de Manila University

- President – Ateneo de Manila University • Trustee - Private Education Retirement Annuity Association (PERAA) • Director – Realty Investments Inc. (RII) • Trustee – Manila Observatory • Trustee - Philippine Institute of Pure and Applied Chemistry (PIPAC) • Trustee – International Association of Jesuit University • Trustee – Loyola School of Theology • Former President – Xavier University – Ateneo de Cagayan • Former Province Treasurer – Jesuit Philippine Province

BR. RAYMUNDO B. SUPLIDO, FSC**Trustee (At-Large)**

Member, De La Salle Brothers, Inc. (DLSBI)

President, De La Salle University (DLSU)

ACADEMIC BACKGROUND: • Ph.D. in Counseling Psychology with High Distinction (De La Salle University-Manila) • M.A. in Education-Educational Management Magna Cum Laude (De La Salle University-Manila) • Baccalaureate and Licentiate in Clinical Psychology Magna Cum Laude (Pontifical Gregorian University, Rome, Italy) • Bachelor of Arts and Bachelor of Science in Education Magna Cum Laude (De La Salle University-Manila) • Certificate in Religious Formation, Institute of Religious Formation (St. Louis University, Illinois, USA)

- Chairman/President, Lasallian Schools Supervision Services Association, Inc. (LASSSAI), Former; Chairman, De La Salle Medical and Health Sciences Institute (DLSMHSI); Trustee, various De La Salle Philippines network of schools; Board Member, Philippine Catechetical and Rel. Educ. Foundation (PhilCare); President, Brother Andelino Manuel Castillo FSC Religious Education Foundation, Inc. (BAMCREFF)

SR. CAROLINE SACULLES CAPILI, OP**Trustee (At-Large)**

Siena College of Taytay, President

ACADEMIC BACKGROUND: • PhD in Education (University of Santo Tomas) Magna Cum Laude • MA in Educational Management (Xavier University, Cagayan de Oro City) • BSC Accounting (Notre Dame of Dadiangas College) • Theology (University of Santo Tomas) • Executive Course in Hospital Administration (UP-Manila)

- Member, General Council, OP-Siena Congregation • Member, Finance Council, OP-Siena Congregation • Commissions on Tertiary and Research, Siena Schools • Member, Commission on Tertiary Education, PAASCU • Chair, Search Committee for Private Sector Representative Commission on Higher Education (CHED-MIMAROPA) • Member, CHED Regional Quality Assessment Team (RQAT) • Certificate in Educational Leadership Harvard Institute of Higher Education (Harvard University, USA)



The PERAA Officers, Consultants, Directors, Manager



**Bernadette M.
Nepomuceno**
PRESIDENT



Liza H. Fadol
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OPERATIONS



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BOARD SECRETARY -
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Diosdado G. Madrid
LEGAL COUNSEL
(For Corporate Business)
CONSULTANT



Soledad A. Cayari
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MANAGER
INSTITUTIONAL
RELATIONS SERVICES



Mercy S. Burawis
MANAGER
INFORMATION
TECHNOLOGY SERVICES

PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION FUND

Independent Auditor's Report

**The Board of Trustees and Members
Private Education Retirement Annuity Association Fund**

Report on the Audit of the Financial Statements**Opinion**

We have audited the financial statements of Private Education Retirement Annuity Association Fund (the Fund), which comprise the statements of net assets available for distribution to members as at December 31, 2020 and 2019, and the statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020 and 2019, 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 Philippine Standards on Auditing (PSAs). 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 Fund in accordance with the Code of Ethics for Professional Accountants in the Philippines (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.

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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Fund'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 PSAs 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 PSAs, 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 Fund'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 Fund's 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 Fund 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.

Report on the Supplementary Information Required Under Revenue Regulations 15 2010 and 34-2020

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15 2010 and 34-2020 in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Private Education Retirement Annuity Association Fund. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021

Tax Identification No. 216-950-288

BIR Accreditation No. 08-001998-107-2020,
November 27, 2020, valid until November 26, 2023

PTR No. 8534218, January 4, 2021, Makati City

July 7, 2021



PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION FUND

Statements of Net Assets Available for Distribution to Members

	December 31	
	2020	2019
ASSETS		
Cash and cash equivalents (Note 7)	₱649,650,162	₱804,640,796
Financial assets at fair value through profit or loss (Note 8)	4,829,971,517	4,292,996,828
Financial assets at fair value through other comprehensive income (Note 9)	712,652,287	686,080,600
Loans and receivables (Note 10)	245,736,720	344,369,981
Hold-to-collect investment securities (Note 11)	433,650,000	558,400,000
Property and equipment (Note 12)	48,235,878	51,030,459
Software costs (Note 13)	2,504,150	2,996,528
Investment properties (Note 14)	517,839,001	517,163,566
Other assets (Note 14)	291,235,932	292,231,330
	₱7,731,475,647	₱7,549,910,088
LIABILITIES		
Accounts payable and other liabilities (Note 15)	₱53,474,696	₱79,035,786
Members' deposits (Note 19)	88,612,964	72,955,236
Benefits payable	5,304,985	6,735,141
	147,392,645	158,726,163
NET ASSETS (Note 19)	7,584,083,002	7,391,183,925
LESS SPECIAL RESERVES (Note 21)	249,306,930	254,017,451
NET ASSETS AVAILABLE FOR DISTRIBUTION TO MEMBERS	₱7,334,776,072	₱7,137,166,474

See accompanying Notes to Financial Statements.



PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION FUND

Statements of Operations

	Years Ended December 31	
	2020	2019
INVESTMENT INCOME (LOSSES)		
Interest income (Notes 7, 8, 9, 10, and 11)	₱171,614,241	₱191,319,862
Foreign exchange losses	(115,839,072)	(90,693,281)
Gain on sale of investments (Notes 8 and 9)	60,036,510	85,295,158
Dividends	26,201,445	33,084,690
Fair value loss on investment properties (Note 14)	(234,076)	–
Miscellaneous income (Notes 14, 22, and 24)	17,348,583	13,399,307
	159,127,631	232,405,736
Unrealized gain on revaluation of financial assets at fair value through profit or loss (Note 8)	189,169,061	281,784,331
TOTAL INCOME	348,296,692	514,190,067
EXPENSES		
Operating expenses (Note 23)	56,624,368	66,581,226
Investment expenses (Notes 14 and 18)	19,807,822	22,054,273
TOTAL EXPENSES	76,432,190	88,635,499
EXCESS OF INVESTMENT INCOME OVER EXPENSES	₱271,864,502	₱425,554,568

See accompanying Notes to Financial Statements.



PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION FUND

Statements of Comprehensive Income

	Years Ended December 31	
	2020	2019
EXCESS OF INVESTMENT INCOME OVER EXPENSES	₱271,864,502	₱425,554,568
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net change in fair value of financial assets at FVOCI (Note 9)	19,778,448	93,928,745
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement losses on retirement plan (Note 16)	(8,458,571)	-
	11,319,877	93,928,745
TOTAL COMPREHENSIVE INCOME	₱283,184,379	₱519,483,313

See accompanying Notes to Financial Statements.



PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION FUND

Statement of Changes in Net Assets

	Members' Equity (Note 19)	Surplus (Deficit) (Note 21)	Net Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income (Note 9)	Remeasurement Gain on Retirement Plan (Note 16)
Balance at January 1, 2020	₱7,090,159,046	₱46,469,950	₱42,859	₱494,619
Members' contributions	515,919,608	-	-	-
Contributions previously recognized as member's deposit (Note 19)	41,839,484	-	-	-
Deductions from members' equity (Note 20)	(648,044,394)	-	-	-
Net decrease in net assets before results of operations	(90,285,302)	-	-	-
Total comprehensive income	-	271,864,502	19,778,448	(8,458,571)
Earnings distribution to members CY 2020	281,436,733	(261,658,285)	(19,778,448)	-
Reversal of appropriation for special projects	-	4,710,521	-	-
Balance at December 31, 2020	₱7,281,310,477	₱61,386,688	₱42,859	(₱7,963,952)
Balance at January 1, 2019	₱6,517,829,928	₱51,083,831	₱42,859	₱494,619
Appropriation of surplus	-	66,789,011	-	-
Appropriation of unappropriated contingency	-	-	-	-
Earnings distributed to members CY 2019 at 1.57%	101,506,357	(101,506,357)	-	-
Members' contributions	496,362,818	-	-	-
Contributions previously recognized as member's deposit (Note 19)	11,109,217	-	-	-
Deductions from members' equity (Note 20)	(520,133,947)	-	-	-
Net increase (decrease) in net assets before results of operations	88,844,445	(34,717,346)	-	-
Total comprehensive income	-	425,554,568	93,928,745	-
Earnings distribution to members CY 2019	483,484,673	(389,555,928)	(93,928,745)	-
Other adjustments	-	(11,957,827)	-	-
Reversal of appropriation for special projects	-	6,062,652	-	-
Balance at December 31, 2019	₱7,090,159,046	₱46,469,950	₱42,859	₱494,619



► Conquering the Challenges of Change

Net Assets Available for Distribution to Members	Special Reserves (Note 21)				Total
	Appropriated Projects	Contingency	Other Reserves	Subtotal	
₱7,137,166,474	₱120,482,470	₱93,735,820	₱39,799,161	₱254,017,451	₱7,391,183,925
515,919,608	-	-	-	-	515,919,608
41,839,484	-	-	-	-	41,839,484
(648,044,394)	-	-	-	-	(648,044,394)
(90,285,302)	-	-	-	-	(90,285,302)
283,184,379	-	-	-	-	283,184,379
-	-	-	-	-	-
4,710,521	(4,710,521)	-	-	(4,710,521)	-
₱7,334,776,072	₱115,771,949	₱93,735,820	₱39,799,161	₱249,306,930	₱7,584,083,002
₱6,569,451,237	₱155,960,986	₱131,108,967	₱39,799,161	₱326,869,114	₱6,896,320,351
66,789,011	(66,789,011)	-	-	(66,789,011)	-
-	37,373,147	(37,373,147)	-	-	-
-	-	-	-	-	-
496,362,818	-	-	-	-	496,362,818
11,109,217	-	-	-	-	11,109,217
(520,133,947)	-	-	-	-	(520,133,947)
54,127,099	(29,415,864)	(37,373,147)	-	(66,789,011)	(12,661,912)
519,483,313	-	-	-	-	519,483,313
-	-	-	-	-	-
(11,957,827)	-	-	-	-	(11,957,827)
6,062,652	(6,062,652)	-	-	(6,062,652)	-
₱7,137,166,474	₱120,482,470	₱93,735,820	₱39,799,161	₱254,017,451	₱7,391,183,925



PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION FUND

Statements of Cash Flows

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of investment income over expenses	₱271,864,502	₱425,554,568
Adjustments for:		
Unrealized gain on revaluation of financial assets at fair value through profit or loss (Note 8)	(189,169,061)	(281,784,331)
Interest income (Notes 7, 8, 9, 10 and 11)	(171,614,241)	(191,319,862)
Fair value loss on investment properties (Note 14)	234,076	-
Foreign exchange losses	115,839,072	90,693,281
Dividends	(26,201,445)	(33,084,690)
Depreciation and amortization (Notes 12 and 23)	5,079,746	5,442,976
Gain on sale of financial assets at FVOCI investments (Note 9)	(4,660,856)	(818,303)
Gain on sale of property and equipment	-	(245,875)
Retirement expense (Notes 16 and 23)	1,124,201	3,616,520
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Financial assets at fair value through profit or loss	(463,962,413)	(385,286,826)
Other assets	719,613	(788,795)
Loans and receivables	94,006,928	34,466,177
Increase (decrease) in amounts of:		
Accounts payable and other liabilities	(25,561,090)	(75,718,596)
Members' deposits	57,497,213	52,742,539
Benefits payable	(11,012,928)	(1,699,897)
Net cash used in operations	(345,816,683)	(358,231,114)
Interest received	175,944,110	188,401,456
Net cash used in operating activities	(169,872,573)	(169,829,658)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Financial assets at FVOCI investments	335,689,179	195,842,560
Hold-to-collect investment securities	144,750,000	93,759,468
Property and equipment	-	496,172
Acquisitions of:		
Financial assets at FVOCI investments	(337,503,848)	(152,734,860)
Hold-to-collect investment securities	(20,000,000)	(115,000,000)
Property and equipment (Note 12)	(566,233)	(1,957,387)
Software cost (Note 13)	(950,771)	(929,900)
Investment properties (Note 14)	(909,511)	(5,577,766)
Dividends received	26,497,909	32,682,599
Net cash generated from investing activities	147,006,725	46,580,886
CASH FLOWS FROM FINANCING ACTIVITIES		
Deductions from members' equity (Note 20)	(648,044,394)	(520,133,947)
Members' contributions (Note 25)	515,919,608	496,362,818
Net cash used in financing activities	(132,124,786)	(23,771,129)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(154,990,634)	(147,019,901)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	804,640,796	951,660,697
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱649,650,162	₱804,640,796

See accompanying Notes to Financial Statements.

PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION FUND

Notes to Financial Statements

1. Organization

Private Education Retirement Annuity Association Fund (PERAA Fund or the Fund) is composed of private schools as well as institutions or foundations within the private education sector. These schools, referred to as Participating Institutions (PIs), periodically contribute to the Fund based on a fixed rate as determined in their respective Retirement Plan Resolution. The Fund controls and manages contributions that will be used eventually to pay the retirement obligations of the PIs to their qualified employees. The contributions, together with the gains and losses, realized and unrealized, less expenses, shall constitute the PERAA Fund held by the board of trustees (BOT). The retirement benefits to the PIs' retiring members shall be based on the accumulated value of their contributions together with their credited earnings (losses).

On June 5, 1972, the Bureau of Internal Revenue (BIR) approved the PERAA Plan Agreement (the Plan) as a tax-exempt plan under Republic Act (R.A.) No. 4917, an act providing that retirement benefits of employees of private firms shall not be subject to attachment, levy, execution, or any tax whatsoever. The BOT of the Fund is a qualified trustee that is entitled to all the benefits and privileges provided for by Section 60(B), in relation to Section 32(B) (6)(a), both of R.A. No. 8424, otherwise known as the "Tax Reform Act of 1997". Consequently, the funds created to implement the provisions of the plans and the retirement pay to their respective retirees remains exempt pursuant to said law.

To be consistent to the Fund's registration with the BIR as a trust fund, on October 19, 2017, the BOT of the Fund unanimously approved the change of its fiscal year from April 30 to December 31. The Fund filed the application to change its accounting period with the BIR after obtaining approval of the BOT of such change. On December 20, 2017, the application with the BIR was approved.

The registered office address of the Fund, which is also its principal place of business, is at 16th Floor, Multinational Bancorporation Centre, 6805 Ayala Avenue, Salcedo Village, Makati City.

Coronavirus outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine that have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. As at the date of this report, 2021, different parts of the country remain to be under varying degree of community quarantine.

In order to comply with the government's measures to monitor and mitigate the effects of COVID-19, the Company provided for safety and health measures for its employees:

- Employee's whose job were not dependent on the on-site system were allowed the telecommuting work set-up.
- Work areas were adjusted so that social distancing can be strictly implemented.
- Set limit on the number of employees that can be allowed at the same time in common areas such as meeting areas, pantry, hallways, elevator area and rest rooms.
- Employees were required to wear face mask inside the office.
- Employees who reported for work on-site were required to undergo temperature check twice a day and submit a daily health declaration form.
- Regular disinfection of the office especially on high-traffic areas.
- Employees who experience the symptoms were required to file a sick leave and seek medical check-up, if necessary.
- Protocols/policies were set in case an employee will test positive.



2. Administration of the Plan

The Fund is administered by the BOT which is composed of eleven (11) members distributed as follows:

- a) Four (4) regional representatives, one (1) member each from Luzon, National Capital Region, Visayas, and Mindanao, elected by the Pls;
- b) Six (6) trustees-at-large elected by the Pls; and
- c) The President of the Fund who is elected by the BOT.

The Pls and the BOT entered into a Trust Agreement which spells out the rights, privileges, obligations, and responsibilities of the Pls, and the control, direction, management and administration of the PERAA Fund by the BOT.

3. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements of the Fund have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and investment properties, which have been measured at fair value.

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

Statement of Compliance

The financial statements of the Fund have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new, amendments and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation which became effective as of January 1, 2020. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Fund:

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Significant Accounting Policies

Presentation of Financial Statements

The Fund present its statement of financial position in order of liquidity. An analysis regarding recovery of assets and settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 17.

Financial instruments are offset and the net amount reported in the statement of net assets available for distribution to members, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Fund assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the fund and all of the counterparties.

Income and expenses are not offset in the statements of operations unless required or permitted by any accounting standard of interpretations, and as specifically disclosed in the accounting policies of the Fund.



Cash and Cash Equivalents

For purposes of reporting cash flows, cash includes cash in banks and cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three (3) months or less from dates of placement, and that are subject to insignificant risk of changes in value. Long-term time deposits represent cash placements with maturities of more than one year. These are classified as 'Long-term Time Deposits' and due to their long-term nature are subject to significant risk of changes in value. As of December 31, 2020 and 2019, there are no outstanding long-term time deposits.

Fair Value Measurement

The Fund measures assets such as financial assets at FVPL, Financial assets at FVOCI, investment properties and derivative instruments at fair value at each reporting date.

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. In an exchange market, closing prices of equity securities are both readily available and generally representative of fair value.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities in the absence of a principal market, in the most advantageous market for the asset or liability
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every statement of net assets available for distribution to members date.

External appraisers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.



Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Financial instruments are recognized in the statements of net assets available for distribution to members when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Fund, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day it is delivered by the Fund. Deposits, amounts due from banks, loans and receivables are recognized when cash is received by the Fund or advanced to the borrowers.

The Fund recognizes financial instruments when, and only when, the Fund becomes a party to the contractual terms of the financial instruments.

Any change in fair value of unrecognized financial asset is recognized in the statement of operations for assets classified as financial assets at FVPL.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Fund recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of operations unless it qualifies for recognition as some other type of asset. In cases where the fair value is determined using data which is not observable, the difference between the transaction price and the model value is only recognized in the statement of operations when the inputs become observable or when the instrument is derecognized. For each transaction, the Fund determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification, Measurement and Reclassification of Financial Assets

After initial recognition, financial assets are classified as and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Fund assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Instruments that do not pass this test are automatically classified as FVPL investments.

In making this assessment, the Fund determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Business model

The Fund's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Fund's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows.

The Fund's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Fund in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Fund's key management personnel.

Financial Assets at FVPL

Debt instruments that neither meet the amortized cost nor the FVOCI criteria, or that meet the criteria but the Fund has chosen to designate as at FVPL at initial recognition, are classified as financial assets at FVPL. Equity investments are classified as financial assets at FVPL, unless the Fund designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Fund's financial assets at FVPL include government securities, corporate bonds and equity securities which are held for trading purposes.



A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVPL and gains or losses arising from disposals of these instruments are included in 'Gain on sale of investments' account in the statements of operations.

Interest recognized based on the modified effective interest rate of these investments is reported in statements of operations under 'Interest income' account while dividend income is reported in statements of operations under 'Dividends' account when the right of payment has been established.

Financial Assets at FVOCI - Equity Investments

At initial recognition, the Fund can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Fund for trading.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in net unrealized fair value gains (losses) on investment securities in the statements of net assets available for distribution to members. When the asset is disposed of, the cumulative gain or loss previously recognized in the net unrealized fair value gains (losses) on investment securities account is not reclassified to profit or loss, but is reclassified directly to Surplus free account. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Dividends' account.

Financial Assets at FVOCI - Debt Investments

The Fund applies debt instruments measured at FVOCI category when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Investment Securities at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Fund's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Fund's investment securities at amortized cost are presented in the statements of net assets available for distribution to members as due from other banks, hold-to-collect investments, loans and receivables and accrued interest receivables.

The Fund may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated as at FVPL where the substance of



the contractual arrangement results in the Fund having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities not qualified as and not designated as at FVPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR.

The Fund's financial liabilities include 'Accounts payable and other liabilities', 'Members' deposits' and 'Benefits payable'. As of December 31, 2020 and 2019, the Fund has no financial liabilities at FVPL.

Reclassification of financial assets

The Fund can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Fund is required to reclassify as follows:

- From amortized cost or FVTOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVTOCI criteria are no longer met;
- From FVTPL to amortized cost or FVTOCI, if the objective of the business model changes so that the amortized cost or FVTOCI criteria start to be met and the characteristics of the instrument's contractual cash flows are SPPI; and
- From amortized cost to FVTOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVTOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVTOCI at initial recognition is not permitted.

A change in the objective of the Fund's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Impairment of Financial Assets

The Fund has been recording the allowance for expected credit losses for debt financial assets carried at amortized cost, and FVOCI. Equity instruments are not subject to impairment under PFRS 9.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For cash and cash equivalents, the Fund applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Fund's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

At each reporting date, the Fund assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Fund compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Fund considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired; or the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or the Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of operations.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of net assets available for distribution to members if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts not only in the normal course of business, but also in the event of default and in the event of bankruptcy or insolvency of all counterparties to the contract including the reporting entity; and
- there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of net assets available for distribution to members.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, any directly attributable costs of bringing the asset to its working condition and location for its intended use and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located to the extent it had recognized an obligation for that cost.

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance costs, are normally charged against operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets.

The estimated useful lives of the depreciable assets follow:

Office equipment	3-10 years
Furniture and fixtures	5-10 years
Transportation equipment	5-10 years
Office improvements	10 years
Condominium units	42 years

The useful lives, depreciation method and any residual values are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.



An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of operations in the period the asset is derecognized.

Software Cost

Software cost is capitalized on the basis of the cost incurred to acquire and bring to use the specific software. Software cost is amortized over five (5) years on a straight-line basis and assessed for impairment whenever there is an indication that the software cost may be impaired.

Costs associated with maintaining the computer software programs are recognized as expense when incurred.

The amortization period and the amortization method for software cost are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization expense on software cost is recognized in the statement of operations.

Investment Property

Investment property consists of properties which are held either to earn rental income or capital appreciation or for both. The Fund's investment property is stated in accordance with the fair value model with any change therein is recognized in the statement of operations.

Gains or losses on derecognition of an investment property are recognized in the statement of operations in the year of derecognition.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Impairment of Non-financial Assets

At each reporting date, the Fund assesses whether there is any indication that its nonfinancial assets which include property and equipment and software cost may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Fund makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of operations. After such a reversal, depreciation and amortization is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Investment Income and Expenses

The Fund's investment income comprises interest income on funds invested, dividend income, changes in market value of financial assets at FVPL and investment properties, realized gains or losses on sale or maturities of investments and foreign exchange gains or losses of monetary assets and liabilities.

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services.



Interest income is recognized as it accrues, using the effective interest method. When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Fund calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Fund reverts to calculating interest income on a gross basis.

Dividend income is recognized on the date that the Fund's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Gain on sale of investments represents results arising from trading activities, including gains and losses from changes in fair value of financial assets and liabilities at FVTPL.

Investment expenses are comprised of management fee, bank charges, commission, operating expenses related to investment properties, and tax expense, which are recognized as incurred.

Retirement Benefits

The Fund maintains a defined contribution (DC) plan that covers all regular full-time employees. Under its DC plan, the Fund pays fixed contributions based on the employees' monthly salaries. The Fund, however, is covered under R.A. 7641 which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641. Accordingly, the Fund accounts for its retirement obligation under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DC plan.

For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated every two years by a qualified independent actuary using the projected unit credit method. The Fund determines the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in the statement of operations.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income (OCI).

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Fund recognizes gains or losses on the settlement of a DB plan when the settlement occurs.

Leases

The Fund assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Fund as a lessor

Leases where the Fund retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rentals are recognized as an income in the statement of operations on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event and when it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.



Foreign Currency Translation

The books of accounts of the Fund are maintained in Philippine peso. For financial reporting purposes, foreign currency-denominated monetary assets and liabilities are translated into their equivalents in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at end of the period and for foreign currency-denominated income and expenses, at the BAP weighted average rate for the period.

Events after the Reporting Period

Post-period-end events that provide additional information about the Fund's position at the reporting date (adjusting events) are reflected in the financial statements.

Post-period-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Fund intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Fund's financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform – Phase 2

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - o Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - o Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - o Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Fund to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates 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.

Judgments

(a) Classification of financial assets

As discussed in Note 3, the Fund classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Fund developed business models which reflect how it manages its portfolio of financial instruments. The Fund's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Fund) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Fund evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Fund, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them.

In performing the SPPI test, the Fund applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

Estimates

(a) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques such as discounted cash flow analysis. Where the valuation techniques are used to determine fair values, they are reviewed by qualified personnel independent of the area that created them. All financial models are reviewed before they are used and to the extent practicable, financial models use only observable data, however, areas such as credit risk (both own and counterparty) volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(b) Expected credit losses on financial assets

The Fund reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the statement of net assets available for distribution to members and any changes thereto in the statement of operations. In particular, judgments and estimates by management are required in determining the following:

- whether a financial asset has had a significant increase in credit risk since initial recognition;
- whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Fund's forecast of these macro-economic factors; and
- sufficiency and appropriateness of data used and relationships assumed in building the components of the Fund's expected credit loss models.

5. Financial Instruments and Fair Value Measurement

The Fund's financial assets and financial liabilities classified into the categories of financial instruments follow:

	2020				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Financial Assets					
Cash and cash equivalents	P-	P-	P649,650,162	P-	P649,650,162
Financial assets at FVPL	4,829,971,517	-	-	-	4,829,971,517
Financial assets at FVOCI	-	712,652,287	-	-	712,652,287
Hold-to-collect financial assets:					
Loans and receivables	-	-	245,736,720	-	245,736,720
HTC investments	-	-	433,650,000	-	433,650,000
	P4,829,971,517	P712,652,287	P1,329,036,882	P-	P6,871,660,686
Financial Liabilities					
Accounts payable and other liabilities	P-	P-	P-	P53,474,696	P53,474,696
Members' deposits	-	-	-	88,612,964	88,612,964
Benefits payable	-	-	-	5,304,985	5,304,985
	P-	P-	P-	P147,392,645	P147,392,645



	2019				Total
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Financial liabilities at amortized cost	
Financial Assets					
Cash and cash equivalents	₱-	₱-	₱804,640,796	₱-	₱804,640,796
Financial assets at FVPL	4,292,996,828	-	-	-	4,292,996,828
Financial assets at FVOCI	-	686,080,600	-	-	686,080,600
Hold-to-collect financial assets:					
Loans and receivables	-	-	344,369,981	-	344,369,981
HTC investments	-	-	558,400,000	-	558,400,000
	₱4,292,996,828	₱686,080,600	₱1,707,410,777	₱-	₱6,686,488,205
Financial Liabilities					
Accounts payable and other liabilities	₱-	₱-	₱-	₱79,035,786	₱79,035,786
Members' deposits	-	-	-	72,955,236	72,955,236
Benefits payable	-	-	-	6,735,141	6,735,141
	₱-	₱-	₱-	₱158,726,163	₱158,726,163

The methods and assumptions used by the Fund in estimating the fair value of the financial instruments are:

Cash and cash equivalents

Carrying amounts approximate fair values due to the relatively short-term maturity of these assets.

Quoted debt and equity securities

Fair values of listed shares of stocks, government bonds and quoted private bonds are based on quoted prices published in markets.

Financial assets at amortized cost, other than quoted debt securities

Fair values of unquoted debt securities, multi-purpose loans and long-term time deposits are estimated using the discounted cash flow methodology using the Fund's current incremental lending rates for similar types of loans. These were discounted at 0.07% to 4.875% and 1.25% to 8.00% as at December 31, 2020 and 2019, respectively. Carrying amounts of other items of loans and receivables approximate their fair value due to the relatively short-term maturities of these assets.

Investment in mutual trust funds

Fair values are determined by reference to the published net asset value per unit or per share of the underlying fund.

Derivative instruments

The fair values of forward foreign exchange transactions are derived using acceptable valuation methods. The valuation assumptions are based on market conditions existing at the reporting date.

Accounts payable and other liabilities

Carrying values approximate fair values due to either the demand feature or the relatively short-term maturities of these liabilities.

The table below presents the assets and liabilities that are either carried at fair value or for which fair value is required to be disclosed (excluding financial instruments where carrying values approximate fair values), by valuation method as of December 31, 2020 and 2019.

	Carrying Value	2020			Total
		Fair Value			
		Level 1	Level 2	Level 3	
Assets and liabilities measured at fair value:					
Financial assets at FVPL:					
Debt securities	₱1,655,818,299	₱1,655,818,299	₱-	₱-	₱1,655,818,299
Equity securities (forward)	1,051,842,387	1,051,842,387	-	-	1,051,842,387

	2019	
	Valuation Techniques	Significant Unobservable Inputs
High Street South Corporate Plaza, Taguig City	Market Data Approach	Location, Condition and Time Element
The Y2 Residences Hotel, Makati City South Center Tower, Muntinlupa City <i>Office condominiums</i> <i>Parking slots</i>	Income Capitalization Approach	Net Income and Capitalization Rate

Description of the valuation techniques used to valuation of the Fund's investment properties are as follow:

Valuation Technique

Market Data Approach	A comparable method wherein the value of the property is based on sales and listings of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. Comparison would be premised on the factors of location, size and shape of the lot, and time element.
Income Capitalization Approach	A comparative approach that considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually net income) and a define value type by converting an income amount into a value estimate. This process may consider direct relationships (whereby an overall capitalization rate or all risks yield is applied to a single year's income) yield or discount rates (reflecting measures of return on investment) applied to a series of incomes over a projected period, or both.

Significant Unobservable Inputs

Capitalization Rate	The rate of return on an investment property based on the income that the property is expected to generate.
Condition	This pertains to the age and the degree of maintenance of subject unit in particular with consideration to physical deterioration and other factors deemed relevant.
Location	The analysis of a property's location focuses on the time-distance relationships between the property and common origins or destinations. It is also concerned with the location of the condominium units in relation to floor level. Units located on the upper levels are considered superior.
Time Element	The measured or measurable period during action or condition exist. It is usually associated with the period in which the property can be sold in an open market within reasonable time.

Location	Significant unobservable input	Range	
		2020	2019
Office condominium			
South Center Tower, Muntinlupa City	Price per square meter	₱69,086 – ₱73,543	₱82,875 – ₱86,775
The Y2 Residences Hotel, Makati City	Price per square meter	₱136,500 – ₱47,000	₱126,000 – ₱136,500
High Street South Corporate Plaza, Taguig City	Price per square meter	₱228,000	₱208,350 – ₱231,500
Parking slot			
South Center Tower, Muntinlupa City	Price per slot	₱557,143	₱476,580
High Street South Corporate Plaza, Taguig City	Price per slot	₱627,000	₱847,000

6. Financial Risk Management Objectives and Policies

The Fund's principal financial instruments comprise of cash, receivables, equity securities, mutual trust funds, investment in notes and bonds, and accounts payable. The main risks arising from the Fund's financial instruments are credit risk, liquidity risk and market risk. The Fund's policies for managing each of these risks are summarized below:

a. Credit risk

Credit risk represents the loss that the Fund would incur if counterparty failed to perform under its contractual obligations. The Fund has established controls and procedures to determine and monitor the credit worthiness of its counterparties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Maximum exposure to credit risk after taking account of any collateral or other credit enhancements

The table below shows the Fund's gross maximum exposure to credit risk for the components of the statements of net assets available for distribution to members.

	2020	2019
Cash and cash equivalents	₱649,650,162	₱804,640,796
Loans and receivables:		
Multi-purpose loans	201,736,719	218,150,125
Other receivables	3,722,794	46,420,021
Accrued interest receivable	34,190,897	38,520,766
Unquoted debt securities	5,542,892	34,859,555
Due from brokers/investment managers	-	5,377,615
Dividends receivable	861,942	1,158,406
Financial assets at FVPL:		
Debt securities:		
Government bonds	883,290,496	654,808,714
Private bonds	772,527,803	855,581,971
Financial assets at FVOCI:		
Debt securities:		
Government bonds	487,795,263	622,170,855
Private bonds	224,857,024	63,909,745
HTC investments	433,650,000	558,400,000
	₱3,697,825,992	₱3,903,998,545

As of December 31, 2020 and 2019, the Fund does not hold any collateral or other credit enhancements to cover the credit risks associated with its financial assets except for multi-purpose loans. Hence, the carrying values of those financial assets best represent the maximum exposure to credit risk. Maximum exposure on multi-purpose loans is reduced to zero since these are covered by the respective contributions of the members.

Credit quality per class of financial assets

The Fund invests only in investments with credit ratings consistent with the portfolio benchmark through trustee banks. Majority of the Plan is managed by Metropolitan Bank and Trust Company (MBTC) - Trust Banking Group, BPI Asset Management (BPI), BDO Private Bank (BDOPB), ATRAM Trust Corporation (ATRAM), Credit Suisse and Bank of Singapore (collectively, the Investment Managers).

Description of credit risk ratings is as follows:

Moody's

Rating	Risk Level / Description
Aaa, Aaa1, Aaa2, Aaa3 Aa, Aa1, Aa2, Aa3 A, A1, A2, A3	Best quality to upper-medium-grade obligations
Baa, Baa1, Baa2, Baa3 Ba, Ba1, Ba2, Ba3 B, B1, B2, B3	Neither highly protected nor poorly secured
Caa, Caa1, Caa2, Caa3 Ca, Ca1, Ca2, Ca3 C	Poor standing
Unrated	Non-credit assets do not carry credit ratings



*PhilRatings***Long-term issuances**

Rating	Risk Level / Description
Aaa	Highest quality with minimal credit risk
Aa	High quality and are subject to very low credit risk
A	With favorable investment attributes and is considered as upper-medium grade obligations
Baa	Exhibits adequate protection parameters
Ba	Less vulnerable to nonpayment than other speculative issues
B	More vulnerable to nonpayment than obligations rated 'PRs Ba', but the obligor currently has the capacity to meet its financial commitment on the obligation
Caa	The issue is considered to be of poor standing and is subject to very high credit risk
Ca	Presently highly vulnerable to nonpayment. Likely already in or very near default with some prospect for partial recovery of principal or interest
C	An obligation is already in default with very little prospect for any recovery of principal or interest

Short-term issuances

Rating	Risk Level / Description
PRS 1	Strongest capability for timely payment of debt instrument issue on both interest and principal.
PRS 2	Strong capability for payment of commercial paper issue for both interest and principal.
PRS 3	Satisfactory capability for payment of debt instrument issue on both interest and principal.
PRS 4	Minimal assurance for timely payment of debt instrument issue on both interest and principal.
PRS 5	Capability to pay interest or principal of debt instrument issue is very doubtful.
PRS 6	Payment of interest or principal of debt instrument issue is in default.

Standard & Poor's

Rating	Risk Level / Description
AAA, AA, A	The obligor's capacity to meet its financial commitment on the obligation ranges from strong to extremely strong
BBB	Exhibits adequate protection parameters
BB, B, CCC, CC, C	Obligations have significant speculative characteristics. BB indicates the least degree of speculation and C the highest
D	In payment default

Fitch

Rating	Risk Level / Description
AAA, AA, A	High to highest underlying credit quality
BBB, BB, B	Very speculative to good underlying credit quality
CCC	Substantially speculative underlying credit quality

CRISP's

Rating	Risk Level / Description
AAA, AA, A	Strong to strongest capacity to repay debt obligations
BBB, BB, B	Reflects current capacity to repay debt obligations to adequate capacity to repay debt obligations
C	Reflects speculative position to repay debt

The table below shows the credit quality by class of financial assets of the Plan managed by ATRAM:

	2020				
	Aaa (PhilRatings)	BBB (Fitch)	Baa 2 (Moody's)	Unrated	Total
Hold to collect investments:					
Cash and cash equivalents	P-	P-	P-	P39,157,310	P39,157,310
Loans and receivables:					
Accrued interest receivable	773,201	-	1,872,949	-	2,646,150
Dividends receivable	-	-	-	139,073	139,073
Other receivable	-	-	-	24,102	24,102
Financial assets at FVPL:					
Debt securities:					
Government bonds	-	-	315,614,932	-	315,614,932
Private bonds	51,821,734	-	-	-	51,821,734
	P52,594,935	P-	P317,487,881	P39,320,485	P409,403,301

	2019				
	Aaa (PhilRatings)	BBB (Fitch)	Baa 2 (Moody's)	Unrated	Total
Hold to collect investments:					
Cash and cash equivalents	P-	P-	P-	P156,490	P156,490
Loans and receivables:					
Accrued interest receivable	1,150,245	5,066,592	57,725	-	6,274,562
Dividends receivable	-	-	-	81,784	81,784
Other receivable	-	-	-	41,816,301	41,816,301
Financial assets at FVPL:					
Debt securities:					
Government bonds	-	232,188,532	-	-	232,188,532
Private bonds	91,178,158	-	10,987,519	-	102,165,677
	P92,328,403	P237,255,124	P11,045,244	P42,054,575	P382,683,346

The table below shows the credit quality by class of financial assets of the Plan managed by BDO:

	2020					
	Aaa (PhilRatings)	AA+ (CRISP)	Baa 2-Baa 3 (Moody's)	A-B S & P	Unrated	Total
Hold to collect investments						
Cash and cash equivalents	P-	P-	P-	P-	P2,429,777	P2,429,777
Loans and receivables:						
Unquoted debt securities	-	-	-	-	5,224,368	5,224,368
Accrued interest receivable	-	-	-	1,064,785	27,760	1,092,545
Dividend receivable	-	-	-	-	334,222	334,222
Other receivable	-	-	-	-	459,835	459,835
Financial assets at FVPL						
Debt securities:						
Government bonds	-	-	-	61,043,915	-	61,043,915
Private bonds	-	-	-	71,564,155	-	71,564,155
	P-	P-	P-	P133,672,855	P8,475,962	P142,148,817



	2019					Total
	Aaa (PhilRatings)	AA+ (CRISP)	Baa 2-Baa 3 (Moody's)	A-B S & P	Unrated	
Hold to collect investments						
Cash and cash equivalents	₱-	₱-	₱-	₱-	₱308,850	₱308,850
Loans and receivables:						
Unquoted debt securities	-	-	-	-	14,497,274	14,497,274
Accrued interest receivable	-	-	-	1,228,193	-	1,228,193
Dividend receivable	-	-	-	-	376,981	376,981
Other receivable	-	-	-	-	772,812	772,812
Financial assets at FVPL						
Debt securities:						
Government bonds	-	-	-	47,798,259	-	47,798,259
Private bonds	-	-	-	64,696,219	-	64,696,219
	₱-	₱-	₱-	₱113,722,671	₱15,955,917	₱129,678,588

The table below shows the credit quality by class of financial assets of the Plan managed by BPI:

	2020			
	Aaa (PhilRatings)	Baa2 (Moody's)	Unrated	Total
Hold to collect investments				
Cash and cash equivalents	₱-	₱-	₱179,492	₱179,492
Loans and receivables:				
Accrued interest receivable	300,556	2,649,828	-	2,950,384
Dividends receivable	-	-	388,647	388,647
Other receivable	-	-	870,000	870,000
Financial assets at FVPL				
Debt securities:				
Government bonds	-	222,722,269	-	222,722,269
Private bonds	29,988,643	-	-	29,988,643
	₱30,289,199	₱225,372,097	₱1,438,139	₱257,099,435

	2019			Total
	Aaa (PhilRatings)	BBB (Fitch)	Unrated	
Hold to collect investments				
Cash and cash equivalents	₱-	₱-	₱334,606	₱334,606
Loans and receivables:				
Unquoted debt securities	-	-	10,113,610	10,113,610
Accrued interest receivable	365,648	1,727,988	41,229	2,134,865
Dividends receivable	-	-	699,641	699,641
Other receivable	-	-	870,000	870,000
Financial assets at FVPL				
Debt securities:				
Government bonds	-	113,379,725	-	113,379,725
Private bonds	38,502,464	-	-	38,502,464
	₱38,868,112	₱115,107,713	₱12,059,086	₱166,034,911



The table below shows the credit quality by class of financial assets of the Plan managed by MBTC:

	2020				Total
	Aaa (PhilRatings)	BBB (S&P)	Baa2 (Moody's)	Unrated	
Hold to collect investments					
Cash and cash equivalents	₱-	₱-	₱-	₱28,357,127	₱28,357,127
Loans and receivables:					
Accrued interest receivable	991,117	70,000	3,815,865	150,239	5,027,221
Other receivables	-	-	-	538,573	538,573
Financial assets at FVPL					
Debt securities:					
Government bonds	-	-	283,909,380	-	283,909,380
Private bonds	91,238,057	5,226,909	9,786,031	14,990,937	121,241,934
	₱92,229,174	₱5,296,909	₱297,511,276	₱44,036,876	₱439,074,235
	2019				Total
	Aaa (PhilRatings)	BBB (S&P)	Baa2 (Moody's)	Unrated	Total
Hold to collect investments					
Cash and cash equivalents	₱-	₱-	₱-	₱10,264,383	₱10,264,383
Loans and receivables:					
Accrued interest receivable	-	55,026	1,246,036	3,989,285	5,290,347
Due from brokers/investment managers	-	-	-	5,377,614	5,377,614
Other receivables	-	-	-	538,573	538,573
Financial assets at FVPL					
Debt securities:					
Government bonds	-	-	-	261,442,198	261,442,198
Private bonds	-	10,017,240	99,503,363	2,000,000	111,520,603
	₱-	₱10,072,266	₱100,749,399	₱283,612,053	₱394,433,718

The tables below show the credit quality by class of financial assets of the Plan managed by Credit Suisse:

	2020					Total
	Ba1-Ba3 (Moody's)	Baa1-Baa3 (Moody's)	A,A+- A-,A- (S&P)	B-BBB (S&P)	Unrated	
Hold to collect investments						
Cash and cash equivalents	₱-	₱-	₱-	₱-	₱16,075,987	₱16,075,987
Loans and receivables:						
Accrued interest receivable	160,200	46,422	167,165	1,035,765	833,452	2,243,014
Financial Assets at FVPL						
Debt securities:						
Private bonds	18,491,736	19,405,614	19,630,842	91,185,852	67,482,580	216,196,624
	₱18,651,946	₱19,452,036	₱19,798,007	₱92,221,617	₱84,392,019	₱234,515,625



	2019						Total
	Aa1-Aa3 (Moody's)	Baa1-Baa3 (Moody's)	A, A+- (S&P)	A-, A- (S&P)	B-BBB (S&P)	Unrated	
Hold to collect investments							
Cash and cash equivalents	₱-	₱-	₱-	₱-	₱-	₱18,306,628	₱18,306,628
Loans and receivables:							
Accrued interest receivable	65,489	275,450	443,491	2,331,777	653,612		3,769,819
Financial Assets at FVPL							
Debt securities:							
Private bonds	10,152,317	29,536,914	43,664,687	136,362,679	44,235,799		263,952,396
	₱10,217,806	₱29,812,364	₱44,108,178	₱138,694,456	₱63,196,039		₱286,028,843

The tables below show the credit quality by class of financial assets of the Plan managed by Bank of Singapore:

	2020								Total
	A-A3 (Moody's)	Aa1-Aa3 (Moody's)	Aaa-Aaa3 (Moody's)	B1-B3 (Moody's)	Ba1-Ba3 (Moody's)	Baa1-Baa3 (Moody's)	Caa1-Caa3 (Moody's)	Unrated	
Hold to collect investments:									
Cash and cash equivalents	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱32,692,590	₱32,692,590
Loans and receivables:									
Accrued interest receivable	5,914	-	-	8,297	13,654	25,975	1,208	23,790	78,838
Financial assets at FVPL									
Debt securities:									
Private bonds	23,427,557	-	-	18,217,398	40,696,638	112,283,553	1,728,828	85,360,739	281,714,713
	₱23,433,471	₱-	₱-	₱18,225,695	₱40,710,292	₱112,309,528	₱1,730,036	₱118,077,119	₱314,486,141

	2019							Total
	A-A3 (Moody's)	Aa1-Aa3 (Moody's)	Aaa-Aaa3 (Moody's)	B1-B3 (Moody's)	Ba1-Ba3 (Moody's)	Baa1-Baa3 (Moody's)	Unrated	
Hold to collect investments:								
Cash and cash equivalents	₱-	₱-	₱-	₱-	₱-	₱-	₱31,627,610	₱31,627,610
Loans and receivables:								
Accrued interest receivable	292,378	23,260	18,266	444,424	400,879	1,054,733	1,148,030	3,381,970
Financial assets at FVPL								
Debt securities:								
Private bonds	30,429,095	2,527,572	1,356,764	23,600,426	24,657,498	101,497,754	90,675,503	274,744,612
	₱30,721,473	₱2,550,832	₱1,375,030	₱24,044,850	₱25,058,377	₱102,552,487	₱123,451,143	₱309,754,192

The tables below show the credit quality by class of financial assets (gross of allowance for credit losses) of the Plan managed by PERAA In-House Investments:

	2020					Total
	A-Aaa (PhilRatings)	Baa1-Baa3 (Moody's)	Unrated	Impaired		
Held to collect investments						
Cash and cash equivalents	₱-	₱-	₱530,757,879	₱-	₱-	₱530,757,879
Loans and receivables:						
Multi-purpose loans	-	-	201,736,719	-	-	201,736,719
Accrued interest receivable	4,520,214	9,421,857	6,210,674	-	-	20,152,745
Other receivables	-	-	1,830,284	-	-	1,830,284
Unquoted debt securities	-	-	-	318,524	-	318,524
Investment securities	398,650,000	35,000,000	-	-	-	433,650,000
Financial assets at FVOCI:						
Debt securities:						
Government bonds	-	487,795,263	-	-	-	487,795,263
Private bonds	61,168,617	-	163,688,407	-	-	224,857,024
	₱664,338,831	₱532,217,120	₱904,223,963	₱318,524	₱-	₱1,901,098,438

2019					
	Aaa (PhilRatings)	Baa1-Baa3 (Moody's)	Unrated	Impaired	Total
Held to collect investments					
Cash and cash equivalents	₱-	₱-	₱743,642,229	₱-	₱743,642,229
Loans and receivables:					
Multi-purpose loans	-	-	218,150,126	-	218,150,126
Unquoted debt securities	-	-	10,132,164	116,507	10,248,671
Accrued interest receivable	2,541,376	70,802	13,828,832	-	16,441,010
Other receivables	-	-	2,422,336	-	2,422,336
Investment securities	294,000,000	15,000,000	249,400,000	-	558,400,000
Financial assets at FVOCI:					
Debt securities:					
Government bonds	-	-	622,170,855	-	622,170,855
Private bonds	-	-	63,909,745	-	63,909,745
	₱296,541,376	₱15,070,802	₱1,923,656,287	₱116,507	₱2,235,384,972

Further, the financial assets are also grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 120 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 120 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The Fund's cash and cash equivalents that are unrated pertain to those that are invested in universal banks.

The Fund's loans and receivables that are unrated pertain to receivables from counterparties who are less likely to default in settling their obligations and are collectible within the year from billing.

The Fund's debt securities that are unrated pertain to government bonds that have zero credit risks and private bonds that are less likely to default in settling their obligations.

Accordingly, the ECL allowance of all financial assets is measured using 12-month ECL (Stage 1) except for impaired unquoted debt securities amounting to ₱0.32 and ₱0.12 million in 2020 and 2019, respectively under in-house investments which are measured at Stage 3.

Concentration of credit risk by industry sector

The tables below show the concentration of credit risk of the financial assets of the Fund by industry sector, before taking into account any collateral held or other credit enhancements (in thousands):

2020						
	Cash and Cash Equivalents	Debt Securities at FVPL	Debt Securities at FVOCI	Loans and Receivables	HTC Investments	Total
Financial intermediaries	₱649,650	₱48,437	₱-	₱246,055	₱35,000	₱979,142
Government	-	883,290	487,795	-	-	1,371,085
Holding firms	-	72,590	85,843	-	213,650	372,083
Real estate and renting	-	98,331	25,145	-	130,000	253,476
Electricity, gas and water	-	13,694	24,283	-	20,000	57,977
Transportation, storage and communication	-	12,631	42,134	-	35,000	89,765
Food, beverages and tobacco	-	18,893	23,058	-	-	41,951
Others	-	507,952	24,394	-	-	532,346
	649,650	1,655,818	712,652	246,055	433,650	3,697,825
Less allowance for credit losses	-	-	-	318	-	318
Total	₱649,650	₱1,655,818	₱712,652	₱245,737	₱433,650	₱3,697,507



	2019					Total
	Cash and Cash Equivalents	Debt Securities at FVPL	Debt Securities at FVOCI	Loans and Receivables	HTC Investments	
Financial intermediaries	₱804,641	₱81,404	₱-	₱344,486	₱130,000	₱1,360,531
Government	-	654,808	622,171	-	-	1,276,979
Holding firms	-	83,524	63,909	-	134,000	281,433
Real estate and renting	-	102,742	-	-	239,400	342,142
Electricity, gas and water	-	25,210	-	-	20,000	45,210
Transportation, storage and communication	-	10,017	-	-	35,000	45,017
Food, beverages and tobacco	-	13,988	-	-	-	13,988
Others	-	538,697	-	-	-	538,697
	804,641	1,510,390	686,080	344,486	558,400	3,903,997
Less allowance for credit losses	-	-	-	116	-	116
Total	₱804,641	₱1,510,390	₱686,080	₱344,370	₱558,400	₱3,903,881

b. Liquidity Risk

Liquidity risk arises from the possibility that the Fund may encounter difficulty in raising funds to meet commitments from financial instruments. The Fund's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost.

The Fund manages liquidity risk by assessing the gap for additional funding and determining the best source and cost of funds on a regular basis.

The following are the contractual maturities of financial assets and financial liabilities, including estimated undiscounted cash flows (i.e., interest payments):

	2020				Total
	Carrying Amount	Less than 1 year	1 to 5 years	Over 5 years	
Financial Assets					
Cash and cash equivalents	₱649,650,162	₱649,650,162	₱-	₱-	₱649,650,162
Financial assets at FVPL	4,829,971,517	3,375,336,078	1,036,221,503	678,968,042	5,090,525,623
Financial assets at FVOCI	712,652,287	68,385,292	210,665,181	616,941,958	895,992,431
Loans and receivables	245,736,720	91,002,347	176,085,135	-	267,087,482
Hold-to-collect Investments	433,650,000	271,011,833	183,915,133	21,250,524	476,177,490
	6,871,660,686	4,455,385,712	1,606,886,952	1,317,160,524	7,379,433,188
Financial Liabilities					
Accounts payable and other liabilities	53,474,696	53,474,696	-	-	53,474,696
Members' deposits	88,612,964	88,612,964	-	-	88,612,964
Benefits payable	5,304,985	5,304,985	-	-	5,304,985
	147,392,645	147,392,645	-	-	147,392,645
Net Liquidity Surplus	₱6,724,268,041	₱4,307,993,067	₱1,606,886,952	₱1,317,160,524	₱7,232,040,543



	2019				Total
	Carrying Amount	Less than 1 year	1 to 5 years	Over 5 years	
Financial Assets					
Cash and cash equivalents	₱804,640,796	₱804,640,796	₱-	₱-	₱804,640,796
Financial assets at FVPL	4,292,996,828	3,028,440,884	656,986,792	629,537,422	4,314,965,098
Financial assets at FVOCI	686,080,600	223,972,043	141,699,719	441,471,920	807,143,682
Loans and receivables	344,369,981	162,956,940	199,246,802	12,762,148	374,965,890
Hold-to-collect Investments	558,400,000	174,328,704	440,363,008	10,100,911	624,792,623
	6,686,488,205	4,394,339,367	1,438,296,321	1,093,872,401	6,926,508,089
Financial Liabilities					
Accounts payable and other liabilities	79,035,786	79,035,786	-	-	79,035,786
Members' deposits	72,955,236	72,955,236	-	-	72,955,236
Benefits payable	6,735,141	6,735,141	-	-	6,735,141
	158,726,163	158,726,163	-	-	158,726,163
Net Liquidity Surplus	₱6,527,762,042	₱4,235,613,204	₱1,438,296,321	₱1,093,872,401	₱6,767,781,926

c. *Market Risk*

Market risk is the risk that changes in market prices, such as equity prices, interest rate, and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in interest rates. The Fund follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

The following tables show the sensitivity to a reasonably possible change in interest rates of the Fund's floating rate financial instruments with all other variables held constant as of December 31, 2020 and 2019:

	2020		2019	
	+25	-25	+25	-25
Change in interest rates (in basis points)				
Sensitivity of investment income	(₱17,748,304)	₱17,460,036	(₱19,390,763)	₱22,238,730
As a percentage of unrealized gain on revaluation of financial assets at FVPL	(9.38%)	9.23%	(6.89%)	7.90%

	2020		2019	
	+25	-25	+25	-25
Change in interest rates (in basis points)				
Sensitivity of OCI	(₱12,206,725)	₱11,905,554	(₱16,772,249)	₱17,266,695
As a percentage of net unrealized gain on financial assets at FVOCI investments	(61.72%)	60.19%	(17.63%)	18.15%

Price risk sensitivity analysis

The Fund's exposure to price risk arises from its investment in equity securities. The Fund has investment managers which monitor its equity securities in its investment portfolio based on daily price quotes and current developments on the underlying companies which could potentially affect the market values of the shares.



The following table shows the sensitivity to a reasonably possible change in the Philippine Stock Exchange Composite Index (PSEi), with all variables held constant, of the Fund's financial assets at FVPL investments equity securities as of December 31, 2020 and 2019:

	2020		2019	
	Change in PSEi	Impact on Investment Income	Change in PSEi	Impact on Investment Income
Equity securities	5.41%	₱56,390,437	5.72%	₱41,314,724
	(5.41%)	(₱56,390,437)	(5.72%)	(₱41,314,724)

The assumed fluctuation rates in December 31, 2020 and 2019 are based on the average change in fiscal year-end PSEi from years 2013 to 2020.

The analysis below is performed for reasonably possible movements in Net Asset Value per share (NAVPS) with all other variables held constant, showing the impact on profit and equity that reflects adjustments due to changes in fair value:

	2020		2019	
	Change in NAVPS	Impact on Investment Income	Change in NAVPS	Impact on Investment Income
Mutual funds	4.05%	₱85,953,589	4.07%	₱74,731,195
	(4.05%)	(₱85,953,589)	(4.07%)	(₱74,731,195)

Foreign currency risk sensitivity analysis

The Fund's exposure to foreign currency risk results from its investments denominated in foreign currencies. The Fund has investment managers to administer its investments.

The Fund's exposure to foreign currency risk based on notional amounts follows:

	2020												
	USD	EUR	AUD	CAD	CHF	GBP	JPY	SGD	TWD	HKD	CNH	SEK	IDR
Cash and cash equivalents	\$1,428,907	€149,781	\$ 532	\$ 22	CHF2,318	£526	¥16,313,512	\$187,645	-	\$734,301	CNH9,397	-	IDR802,560
Financial assets at FVPL:													
Debt securities	12,406,841	-	-	-	-	-	-	-	-	-	-	-	-
Equity securities	3,319,938	303,416	44,944	-	44,053	136,991	2,737,020	41,224	-	2,703,660	-	-	-
Mutual trust funds	36,919,296	831,016	-	-	91,036	96,982	32,242,171	-	-	339,660	-	-	-
Financial assets at FVOCI:													
Debt securities	5,275,072	-	-	-	-	-	-	-	-	-	-	-	-
	\$59,350,054	€1,284,213	\$45,476	\$ 22	CHF137,407	£234,499	¥51,292,703	\$228,869	-	\$3,777,621	CNH9,397	-	IDR802,560
Exchange rate	48.02	58.69	37.00	37.18	54.45	65.47	0.47	36.32	-	6.19	7.38	-	0.00342
Net Exposure	₱2,849,989,593	₱75,370,461	₱1,682,612	₱818	₱7,481,811	₱15,352,650	₱24,107,570	₱8,312,522	-	₱23,383,474	₱69,350	-	₱2,745

	2019												
	USD	EUR	AUD	CAD	CHF	GBP	JPY	SGD	HKD	CNY	SEK	IDR	THB
Cash and cash equivalents	\$6,187,094	€302,647	\$1	\$72,217	CHF-	£62,922	¥10,235,858	\$134,065	HK\$341,075	CNY 4,807	-	IDR 802,560	-
Financial assets at FVPL:													
Debt securities	11,852,574	-	-	-	-	-	-	-	-	-	-	-	-
Equity securities	3,194,492	512,252	41,061	-	42,948	73,528	3,266,688	59,797	2,316,305	-	910,210	121,880,000	317,900
Mutual trust funds	24,756,563	546,942	77,352	-	45,059	158,775	32,985,350	34,188	350,892	-	-	-	-
Financial assets at FVOCI:													
Debt securities	2,010,220	-	-	-	-	-	-	-	-	-	-	-	-
	\$48,000,943	€1,361,841	\$118,414	\$72,217	CHF88,007	£295,225	¥46,487,896	\$228,050	HK\$3,008,272	\$4,807	\$910,210	\$122,682,560	\$317,900
Exchange rate	50.64	56.35	35.26	38.72	51.71	65.99	0.46	37.49	6.52	7.25	5.39	0.0037	1.68
Net Exposure	₱2,430,767,754	₱76,739,740	₱4,175,278	₱2,796,242	₱4,550,842	₱19,481,898	₱21,384,432	₱8,549,595	₱19,613,933	₱34,851	₱4,906,032	₱453,925	₱534,072

A 10% strengthening of the Philippine peso against foreign currencies as of December 31, 2020 and 2019 would have decreased investment income by ₱300.57 and ₱259.38 million in December 31, 2020 and 2019, respectively.

A 10% weakening of the Philippine peso against foreign currencies as of December 31, 2020 and 2019 would have an equal but opposite effect, on the basis that all other variables remain constant.

7. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash equivalents	₱425,009,993	₱429,987,151
Cash in banks	224,610,169	374,623,645
Cash on hand	30,000	30,000
	₱649,650,162	₱804,640,796

Cash in bank earns interest at respective bank deposit rates.

Cash equivalents earn interest ranging from 0.01% to 7.00% and from 1.25% to 7.00% in 2020 and 2019, respectively, with remaining terms ranging from four (4) to forty two (42) days and two (2) to seventy-six (76) days in 2020 and 2019, respectively.

8. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	2020	2019
Mutual trust funds	₱2,122,310,831	₱1,836,147,300
Equity securities	1,051,842,387	946,458,843
Debt securities:		
Government bonds	883,290,496	654,808,714
Private bonds	772,527,803	855,581,971
	₱4,829,971,517	₱4,292,996,828

Debt securities at FVPL consist of investments in bonds earning interest ranging from 1.69% to 10.13% and from 3.70% to 10.63% for the years ended December 31, 2020 and 2019, respectively, for peso-denominated bonds and from 2.13% to 10.63% and from 2.35% to 11.50% for the years ended December 31, 2020 and 2019, respectively, for foreign currency-denominated bonds.

The gains (losses) on sale of financial assets at FVPL by class follows:

	2020	2019
Debt securities	₱62,655,446	₱37,804,243
Equity securities	(42,442,488)	(1,636,605)
Mutual funds	35,162,696	48,309,217
	₱55,375,654	₱84,476,855

Financial assets at FVPL include unrealized gain on fair market revaluation amounting to ₱189.17 million and ₱281.78 million for the years ended December 31, 2020 and 2019, respectively.

9. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

	2020	2019
Debt securities:		
Government bonds	₱487,795,263	₱622,170,855
Private bonds	224,857,024	63,909,745
	₱712,652,287	₱686,080,600



Financial assets at FVOCI - debt securities consist of peso-denominated and foreign-currency denominated investments in bonds earning interest ranging from 3.50% to 11.25% and 3.38% to 11.25% in 2020 and 2019, respectively, with remaining terms ranging from one (1) year to 19 years and from one (1) to 21 years in 2020 and 2019, respectively.

Movements in net unrealized gain on financial assets at FVOCI investments follow:

	2020	2019
Balance at beginning of the period, as restated	₱42,859	₱42,859
Unrealized gain on FVOCI investments	19,778,448	94,747,048
Realized gain taken to profit or loss	(4,660,856)	(818,303)
Earnings for distribution to members	(15,117,592)	(93,928,745)
Balance at end of the period	₱42,859	₱42,859

10. Loans and Receivables

This account consists of:

	2020	2019
Multi-purpose loans (Note 24)	₱201,736,719	₱218,150,125
Accrued interest receivable	34,190,897	38,520,766
Unquoted debt securities	5,542,892	34,859,555
Dividends receivable	861,942	1,158,406
Due from brokers/investment managers	-	5,377,615
Others	3,722,794	46,420,021
	246,055,244	344,486,488
Less: Allowance for credit losses	318,524	116,507
	₱245,736,720	₱344,369,981

Unquoted debt securities earn interest of 4.88% and ranging from 4.25% to 7.07% for the years ended December 31, 2020 and 2019, respectively. Other receivables consist of unremitted coupon payments, car loans and housing loans.

As of December 31, 2020, and 2019, the Fund's unquoted debt securities that are fully provided with allowance amounting to ₱0.32 and ₱0.12 million, respectively, are considered as clean loans.

11. Hold-to-Collect Investment Securities

HTC investments consist of investment in bonds earning interest ranging from 5.06% to 7.82% and 5.20% to 7.82% in 2020 and 2019, respectively, with remaining terms ranging from one (1) year to six (6) years and from one (1) to five (5) years in 2020 and 2019, respectively.

12. Property and Equipment

The composition of and movements in this account follow:

	2020					
	Condominium Units	Office Equipment	Furniture and Fixtures	Transportation Equipment	Office Improvements	Total
Cost						
Balance at beginning of period	₱69,531,816	₱8,351,374	₱5,119,666	₱4,846,759	₱11,498,824	₱99,348,439
Acquisitions	-	489,537	-	76,696	-	566,233
Balance at end of period (forward)	69,531,816	8,840,911	5,119,666	4,923,455	11,498,824	99,914,672

2020						
	Condominium Units	Office Equipment	Furniture and Fixtures	Transportation Equipment	Office Improvements	Total
Accumulated Depreciation						
Balance at beginning of period	24,264,496	7,199,450	3,954,482	3,178,470	9,721,082	48,317,980
Depreciation and amortization	1,656,644	538,764	333,372	561,376	270,658	3,360,814
Balance at end of period	25,921,140	7,738,214	4,287,854	3,739,846	9,991,740	51,678,794
Net Book Value at End of Period	₱43,610,676	₱1,102,697	₱831,812	₱1,183,609	₱1,507,084	₱48,235,878
2019						
	Condominium Units	Office Equipment	Furniture and Fixtures	Transportation Equipment	Office Improvements	Total
Cost						
Balance at beginning of period	₱69,531,816	₱8,786,656	₱4,890,827	₱5,326,367	₱11,498,824	₱100,034,490
Acquisitions	-	374,611	269,384	1,313,392	-	1,957,387
Disposal	-	(809,893)	(40,545)	(1,793,000)	-	(2,643,438)
Balance at end of period	69,531,816	8,351,374	5,119,666	4,846,759	11,498,824	99,348,439
Accumulated Depreciation						
Balance at beginning of period	22,607,852	7,311,373	3,652,345	4,155,591	9,450,424	47,177,585
Depreciation and amortization	1,656,644	697,970	342,682	565,582	270,658	3,533,536
Disposal	-	(809,893)	(40,545)	(1,542,703)	-	(2,393,141)
Balance at end of period	24,264,496	7,199,450	3,954,482	3,178,470	9,721,082	48,317,980
Net Book Value at End of Period	₱45,267,320	₱1,151,924	₱1,165,184	₱1,668,289	₱1,777,742	₱51,030,459

Depreciation and amortization, included under 'Operating expenses' in the statements of operations (Note 23), consist of depreciation and amortization on:

	2020	2019
Property and equipment	₱3,360,814	₱3,533,536
Software costs (Note 13)	1,443,149	1,615,613
Other assets	275,783	293,827
	₱5,079,746	₱5,442,976

As of December 31, 2020 and 2019, the gross amount of fully depreciated property and equipment still in use by the Fund amounted to ₱20.92 million and ₱18.22 million, respectively.

13. Software Costs

The movements in this account follow:

	2020	2019
Cost		
Balance at beginning of period	₱21,532,783	₱20,602,883
Additions	950,771	929,900
Balance at end of period	22,483,554	21,532,783
Accumulated Amortization		
Balance at beginning of period	18,536,255	16,920,642
Amortization (Note 12)	1,443,149	1,615,613
Balance at end of period	19,979,404	18,536,255
Net Book Value at End of Period	₱2,504,150	₱2,996,528



14. Investment Properties

The movements in this account follow:

	2020	2019
Balance at beginning of period	₱517,163,566	₱511,585,800
Additions	909,511	5,577,766
Decrease in fair value	(234,076)	-
Balance at end of period	₱517,839,001	₱517,163,566

Total rent income earned from investment properties amounted to ₱13.82 million and ₱7.54 million for the years ended December 31, 2020 and 2019, respectively, which are included under 'Miscellaneous income'. Direct operating expenses related to investment properties amounted to ₱2.45 million and ₱4.72 million for the years ended December 31, 2020 and 2019, respectively, which are included under 'Investment expenses'.

As of December 31, 2020 and 2019, the 'Other assets' comprised of reservation fees and down payments of ₱231.45 million for real properties intended for capital appreciation. Also, input taxes related to 2015 additions to investment properties amounting to ₱29.67 million as of December 31, 2020 and 2019, are included under 'Other assets' in the statement of net assets available for distribution to members.

15. Accounts Payable and Other Liabilities

This account consists of:

	2020	2019
Accounts payable and accrued expenses	₱26,709,146	₱19,510,451
Investment fee payable	11,884,501	10,486,947
Due to brokers	4,332,660	5,564,695
Withholding tax payable	1,573,662	1,158,859
Others	8,974,727	42,314,834
	₱53,474,696	₱79,035,786

Others include deposit payable and due to fund managers.

16. Retirement Plan

R.A. No. 7641, *Retirement Pay Law*, requires provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

The Fund established a DC retirement plan for the benefit of its eligible member-employees, to be administered under and in accordance with the plan. Members of the retirement plan shall contribute 4.00% of their current basic monthly compensation; the Fund shall add 4.00% of each member's current monthly compensation as its contribution. Members have the option to make additional contributions at a rate not exceeding that of the Fund's contribution.

The BOT is responsible for the administration of the plan assets and for the definition of the investment strategy.

As of December 31, 2020 and 2019, the Fund's retirement liability is presented below:

	Fair Value of plan assets	Present Value of DB	Effect of Asset Ceiling	Net DB Liability
December 31, 2020				
Balance at beginning of the period	₱29,918,097	(₱27,547,348)	(₱2,370,749)	₱-
Retirement expense (Note 23):				
Current service cost	-	(1,114,606)	-	(1,114,606)
Net interest	2,294,099	(2,121,146)	(182,548)	(9,595)
	2,294,099	(3,235,752)	(182,548)	(1,124,201)
Contribution to the retirement fund	3,531,759	-	-	3,531,759
Benefits paid*	(3,822,933)	9,873,946	-	6,051,013
Remeasurements:				
Actuarial change due to:				
Financial assumptions	-	(6,498,282)	-	(6,498,282)
Experience adjustments	-	443,487	-	443,487
Return on plan assets in excess of net interest	70,190	-	-	70,190
Remeasurement loss on changes in the effect of the asset ceiling	-	-	(2,473,966)	(2,473,966)
Remeasurements recognized in other comprehensive income	70,190	(6,054,795)	(2,473,966)	(8,458,571)
Balance at end of the period	₱31,991,212	(₱26,963,949)	(₱5,027,263)	₱-

*Includes benefits paid directly by PERAA amounting to ₱6.05 million

	Fair Value of plan assets	Present Value of DB	Effect of Asset Ceiling	Net DB Liability
December 31, 2019				
Balance at beginning of the period	₱26,301,577	(₱23,930,828)	(₱2,370,749)	₱-
Retirement expense (Note 23)	-	(3,616,520)	-	(3,616,520)
Contribution to the retirement fund	3,616,520	-	-	3,616,520
Balance at end of the period	₱29,918,097	(₱27,547,348)	(₱2,370,749)	₱-

As of December 31, 2020 and 2019, the Fund expects to contribute ₱3.67 million and nil, respectively.

The fair values of plan assets by each class as at December 31, 2020 and 2019 follow:

	2020	2019
Cash and cash equivalents	₱2,572,093	₱3,476,769
Financial assets at fair value through other comprehensive income		
Equity securities	11,897,532	8,915,429
Debt securities:		
Private bonds	7,396,368	7,880,970
Government bonds	5,879,985	5,367,262
Investment properties	3,394,268	3,361,911
Loans and receivable	850,966	915,756
	₱31,991,212	₱29,918,097



The principal assumptions used in determining pension for the DB liability as of the reporting dates follow:

	2020	2019
Discount rate	3.71%	7.70%
Future salary increases	3.00%	3.00%
Average remaining working life (in years)	21.8	20.2

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the DB obligation as of December 31, 2020 and 2019, assuming all other assumptions are held constant:

	2020	2019
Discount rate		
+100 bps	(₱1,971,600)	(₱1,248,299)
-100 bps	2,279,222	1,419,113
Salary increases		
+100 bps	2,272,380	1,473,129
-100 bps	(2,002,344)	(1,313,566)
No Attrition Rates	649,961	288,245

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2020 and 2019:

	2020	2019
Less than 1 year	₱4,627,543	₱-
More than 1 year to 5 years	5,328,601	5,472,761
More than 5 years	13,234,144	15,302,838
	₱23,190,288	₱20,775,599

The weighted average duration of the DB obligation as of December 31, 2020 and 2019 is 7.9 years.

17. Maturity Profile of Assets and Liabilities

The following table presents the assets and liabilities by maturity based on expected settlement as of December 31, 2020 and 2019 (in thousands):

	2020			2019		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets						
Cash and cash equivalents	₱649,650	₱-	₱649,650	₱804,641	₱-	₱804,641
Financial assets at FVPL	3,305,252	1,524,720	4,829,972	3,116,789	1,176,208	4,292,997
Financial assets at FVOCI	30,887	681,765	712,652	74,520	611,560	686,080
Loans and receivables	83,704	162,352	246,056	329,756	14,730	344,486
Held-to-collect investments	254,000	179,650	433,650	101,805	456,595	558,400
Nonfinancial Assets						
Property and equipment	-	99,914	99,914	-	99,348	99,348
Software cost	-	22,484	22,484	-	21,533	21,533
Investment properties	-	517,839	517,839	-	517,164	517,164
Other assets	816	290,420	291,236	1,922	290,309	292,231
	4,324,309	3,479,144	7,803,453	4,429,433	3,187,447	7,616,880
Less: Allowance for credit losses	-	(319)	(319)	-	(116)	(116)
Accumulated depreciation and amortization (Notes 12 and 13)	-	(71,658)	(71,658)	-	(66,854)	(66,854)
	₱4,324,309	₱3,407,167	₱7,731,476	₱4,429,433	₱3,120,477	₱7,549,910

	2020			2019		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Liabilities						
Accounts payable and other liabilities	₱53,475	₱-	₱53,475	₱79,036	₱-	₱79,036
Members' deposits	88,613	-	88,613	72,955	-	72,955
Benefits' payable	5,305	-	5,305	6,735	-	6,735
	₱147,393	₱-	₱147,393	₱158,726	₱-	₱158,726

18. Fund Management Agreements

The BOT entered into investment management agreements with the Investment Managers. Under these agreements, a portion of the Fund's funds, the amount of which shall be fixed by the BOT from time to time, is to be managed by the Investment Managers under an investment management account.

As of December 31, 2020 and 2019, about 44.30% and 54.85%, respectively, of the Fund's total fund investment is managed by the Investment Managers.

The Investment Managers are paid based on a certain percentage of net assets of the respective funds being managed. Expenses relating to management fees amounted to ₱14.61 million and ₱14.20 million for the years ended December 31, 2020 and 2019, respectively, which are included under 'Investment expenses' in the statements of operations.

19. Members' Equity

This account is composed of the accumulated employer and employee contributions plus reserve fund and credited earnings less payouts to the members as a result of retirement, repurchase, separation of service, death, earnings from fund and other claims by the members.

The Pls contribute reserve fund to members' contribution to cover any shortfall between the accumulated equity of each member and the retirement benefits required under the law.

Unidentified collections from members are temporarily lodged as part of 'Members' deposits' which are consequently reclassified to 'Members' contributions' or payments for multi-purpose loans.

Capital management

The Fund's objectives when managing capital are to increase the value of members' equity and maintain high growth by applying free cash flow to selective investments. The BOT sets strategies for the Fund with the objective of establishing a versatile and resourceful financial management and capital structure.

There were no changes in the Fund's approach to capital management during the period.

The Fund is not subject to externally-imposed capital requirement.



20. Deductions from Members' Equity

This account consists of payments for:

	2020	2019
Retirement	₱327,235,353	₱260,704,478
Benefits from reserve fund	154,045,273	123,941,571
Repurchase of plans	69,566,701	87,877,740
Other adjustments	48,938,244	16,722,444
Separation from service	20,880,296	6,084,464
Forfeited benefit claims	19,353,830	13,402,669
Death benefits	8,000,766	11,400,581
Disability	23,931	-
	₱648,044,394	₱520,133,947

Other adjustments include outstanding loans of members that remain unpaid three months after the maturity of the loan. Members are notified as to the delinquency of their loan account. Outstanding balance, plus penalties if there are any, is deducted from the member's account.

21. General and Special Reserves (Deficit)

General reserves (deficit) represent the balance of accumulated earnings that are available for distribution to members. Special reserves represent appropriation for specific purposes as may be determined by the BOT and as discussed below.

Special reserves represent appropriation for specific purposes as discussed below and are not available for distribution to members:

- a. Special projects - appropriation to cover the related cost in transferring to the Fund's present office space in Multinational Bancorporation Centre and acquisition and development of computer system; and
- b. Contingency - appropriation to cover unexpected losses or shortfall in the values of investments and to distribute incurred losses;

Under Article VII - (*Earnings*), Section 1 of the PERAA Plan Agreement, the earnings of the Fund shall be based on the return on investment (ROI) determined by the BOT at the end of the year.

- a. For members who have not yet applied for benefits, such earnings shall be added to the Plan; and
- b. For members or beneficiaries who have applied for benefits, such earnings will be paid in a single sum at the end of the year.

Effective January 1, 2019, the BOT declared the monthly ROI of the Fund.

The BOT of the Fund approved and authorized the distribution of 4.03% and 7.34% which is based on the monthly declaration of ROI of the Fund totaling to ₱281.44 million and ₱483.48 million for the year ended December 31, 2020 and 2019, respectively. The accounts of members are automatically updated after each declaration.

22. Leases

The Fund leases out its investment properties for varying periods, which are renewable upon mutual agreement of the parties. The lease contracts do not include annual escalation clauses except for one contract which includes annual escalation clause of 5.00%.

As of December 31, 2020 and 2019, the Fund has no contingent rent receivable. Total rent income earned by the Fund amounted to ₱13.82 million and ₱7.54 million in December 31, 2020 and 2019, respectively, which are included under 'Miscellaneous income'.

Future minimum rental receivables under operating leases follow:

	2020	2019
Within one year	₱10,368,316	₱11,889,201
After one year but not more than five years	20,159,193	665,674
	₱30,527,509	₱12,554,875

23. Operating Expenses

This account consists of:

	2020	2019
Salaries, wages and allowances (Note 24)	₱24,929,755	₱27,359,022
Social security costs and other employee benefits (Note 24)	14,798,411	15,820,493
Depreciation and amortization (Notes 12 and 13)	5,079,746	5,442,976
Meetings and representation - BOT	1,761,948	2,369,116
Professional fees	1,278,475	1,729,856
Condominium dues	1,237,694	1,237,694
Medical and recreation	1,185,471	1,340,861
Retirement expense (Note 16)	1,124,201	3,616,520
Light and water	1,037,416	1,210,551
Communications	983,484	1,043,089
General meeting	650,658	1,426,532
Security services	277,798	366,647
Office supplies	203,587	294,709
Meetings and representation	181,302	282,649
Top Outstanding PERAA Member	-	578,820
Miscellaneous	1,894,422	2,461,691
	₱56,624,368	₱66,581,226

Miscellaneous expenses pertain to expenses incurred for computer usage, services and supplies, transportation, hospitalization and insurance, staff development, printing and production, information services, travel and promotion, bank charges and taxes and licenses.

24. Related Party Transactions

Compensation of key management personnel

Compensation of the Fund's key management personnel is as follows:

	2020	2019
Short-term benefits	₱19,723,420	₱19,624,418
Retirement contributions	498,067	500,370
	₱20,221,487	₱20,124,788

Short-term benefits are included under 'Salaries, wages and allowances' and under 'Social security costs and other employee benefits' while retirement contributions are presented under 'Social security costs and other employee benefits' (Note 23).



Loans to members

The PERAA Fund offers multi-purpose loans to its qualified members with terms ranging from 12 to 60 months amounting to ₱201.74 million and ₱218.15 million as of December 31, 2020 and 2019, respectively. Multi-purpose loans earn interest ranging from 3.00% to 12.00% in 2020 and 2019, respectively. A 1.00% to 1.50% service fee is charged by the Fund for every loan released and a penalty is imposed which is equivalent to 1/10 of 1.00% of any unpaid monthly amortization for each day of delay. Service charges and penalties from multi-purpose loans included under 'Miscellaneous income' amounted to ₱2.98 million and ₱5.06 million for the years ended December 31, 2020 and 2019, respectively.

25. Note to Statements of Cash Flows

The statements of cash flows include non-cash items pertaining to contributions reclassified from members' deposits amounting to ₱41.84 million and ₱11.11 million as of December 31, 2020 and 2019, respectively.

26. Contingencies

There are contingent liabilities that arise in the normal course of the Fund's operations which are not reflected in the accompanying financial statements. As of December 31, 2020 and 2019, management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Fund's financial statements.

27. Approval for the Release of Financial Statements

The accompanying comparative financial statements of the Fund were authorized for issue by the BOT on July 7, 2021.

28. Supplementary Information Required Under RR No. 34-2020 and 15-2010

Revenue Regulations (RR) 34-2020

The Company is not covered by the requirements and procedures for related party transactions under Section 2 of RR No. 34-2020.

RR 15-2010

The Fund reported and/or paid the following types of taxes and license fees for the calendar year ended December 31, 2020:

Taxes and licenses

For the calendar year ended December 31, 2020, taxes and licenses of the Fund recorded under 'Miscellaneous expense' in operating expenses in the statement of operations amounts to ₱39,605. These are reported and paid in accordance with existing regulations of the BIR in the case of national internal revenue taxes, or the concerned local government unit, in the case of local taxes.

Output VAT

The Company is a VAT-registered company with VAT output tax declaration of ₱1.64 million for the year based on the amount of rental income.

Input VAT

Balance at beginning of the year	₱59,563,222
Current year's purchases:	
Domestic purchases of services	675,040
Purchase of capital goods	65,519
Purchase of goods and other capital goods	150,773
Input closed to Output VAT application	(1,636,498)
Balance at end of the year	₱58,818,056

Withholding Taxes

Details of total remittances in 2020 and outstanding balance of withholding taxes as of December 31, 2020 follow:

	Total Remittances	Outstanding balance
Expanded withholding taxes	₱10,819,640	₱1,205,774
Withholding taxes on compensation and benefits	6,089,284	367,888
	₱16,908,924	₱1,573,662

Tax Assessments and Cases

As of December 31, 2020, there are no outstanding tax cases under investigation, litigation nor prosecution in courts or bodies outside the BIR.



2020 Honorary Awardees

PLATINUM AWARDEE 50M

NATIONAL UNIVERSITY
Sampaloc, Manila

MEGA CIRCLE 10M

THE COLLEGE OF MAASIN
Maasin City, Southern Leyte

**FRANCISCAN COLLEGE OF THE
IMMACULATE CONCEPTION**
Baybay, Leyte

**CASA MONTESSORI
INTERNATIONALE, INC.**
Makati City

GARCIA COLLEGE OF TECHNOLOGY
Kalibo, Aklan

**DR. CARLOS S. LANTING
COLLEGE**
Quezon City

**GCF INTERNATIONAL
CHRISTIAN SCHOOL, INC.**
Pasig City

MABINI COLLEGES, INC.
Daet, Camarines Norte

**COLEGIO DE STA. MONICA
DE ANGAT, INC.**
Angat, Bulacan

**KABUHAYAN SA GANAP NA
KASARINLAN CREDIT AND
SAVINGS COOPERATIVE**
Quezon City

**NORTHEASTERN MINDANAO
COLLEGES**
Surigao City

MULTI-MILLIONAIRES 5M

GERONA JUNIOR COLLEGE
Gerona, Tarlac

SILAY INSTITUTE, INC.
Silay City

**SYSTEMS PLUS COMPUTER
COLLEGE
OF KALOOKAN, INC.**
Caloocan City

**MISAMIS UNIVERSITY
OROQUIETA UNIT**
Oroquieta City

UNIVERSITY OF THE VISAYAS
Cebu City

**ASSUMPTION COLLEGE
OF NABUNTURAN**
Nabunturan, Davao de Oro

ST. JOSEPH COLLEGE
Sindangan, Zamboanga del Norte

**MOTHER GOOSE SPECIAL
SCIENCE HIGH SCHOOL**
Dagupan City

MILLIONAIRES 1M

ASIAN COLLEGE OF ARTS & BUSINESS
Ermita, Manila

**SYSTEMS PLUS COMPUTER
COLLEGE - QUEZON CITY**
Quezon City

NU SPORTS ACADEMY, INC.
City of Calamba

**SAINT CATHERINE'S ACADEMY
OF GATTARAN, INC.**
Gattaran, Cagayan

MARIKINA CHRISTIAN ACADEMY
Marikina City

**ARRUPE INTERNATIONAL
RESIDENCE ASSN., INC.**
Quezon City

CEBU CITY YLAC FREE SCHOOL
Cebu City

MARCELO SPINOLA SCHOOL
Ipil, Zamboanga Sibugay

FEU HIGH SCHOOL, INC.
Sampaloc, Manila

NYONGANI SCHOOL
Quezon City

PAMPLONA INSTITUTE
Pamplona, Cagayan

**UNIVERSITY OF PERPETUAL
HELP RIZAL, INC.**
Las Piñas City

**SAINT FRANCIS ACADEMY OF
DASMARIÑAS CAVITE, INC.**
Dasmariñas City



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Top 100 Participating Institutions

Based on Accumulated Value as of December 31, 2020

- | | | |
|--|--|--|
| 1. John B. Lacson Colleges Foundation
Iloilo City | 21. De La Salle-Araneta University
Malabon City | 41. Baliuag University
Baliuag, Bulacan |
| 2. Technological Institute of the Philippines
Quiapo, Manila | 22. Southern Christian College
Midsayap, North Cotabato | 42. Republic Central Colleges
Angeles City |
| 3. Ateneo De Zamboanga University
Zamboanga City | 23. Elizabeth Seton School
Las Piñas City | 43. Siena College
Quezon City |
| 4. Cebu Institute of Technology
Cebu City | 24. Private Education Retirement Annuity Association
Makati City | 44. Davao Medical School Foundation
Davao City |
| 5. Xavier University
Cagayan de Oro City | 25. Misamis University, Incorporated
Ozamiz City | 45. MGC New Life Christian Academy, Inc.
Taguig City |
| 6. Ateneo de Davao University
Davao City | 26. National University
Sampaloc, Manila | 46. University of Southern Philippines
Cebu City |
| 7. University of the Cordilleras
Baguio City | 27. Wesleyan University-Philippines
Cabanatuan City | 47. St. Joseph's College
Quezon City |
| 8. Colegio San Agustin
Makati City | 28. Holy Family Academy
Angeles City | 48. Brent School, Inc.
Baguio City |
| 9. Jose Rizal University
Mandaluyong City | 29. University of St. La Salle
Bacolod City | 49. Cor Jesu College, Inc.
Digos City |
| 10. University of Nueva Caceres
Naga City | 30. Sacred Heart School-Ateneo de Cebu, Inc.
Mandaue City | 50. Infant Jesus Academy
Marikina City |
| 11. East Asia Computer Center, Inc.
Sampaloc, Manila | 31. Lorma Colleges
San Fernando City, La Union | 51. De La Salle John Bosco College, Inc.
Bislig City |
| 12. University of Baguio
Baguio City | 32. Siena College of Taytay
Taytay, Rizal | 52. Jubilee Christian Academy
Quezon City |
| 13. Philippine Christian University
Malate, Manila | 33. General De Jesus College
San Isidro, Nueva Ecija | 53. Febias College of Bible
Valenzuela City |
| 14. University of the Assumption
San Fernando City, Pampanga | 34. University of Batangas
Batangas City | 54. Ateneo de Iloilo, Inc.
Iloilo City |
| 15. UST Angelicum College, Inc.
Quezon City | 35. Holy Angel University
Angeles City | 55. Mother Goose Special School System, Inc.
Dagupan City |
| 16. Center for Educational Measurement
Makati City | 36. National College of Business and Arts
Quezon City | 56. University of Luzon, Inc.
Dagupan City |
| 17. San Pedro College, Inc.
Davao City | 37. Iloilo Doctors College
Iloilo City | 57. University of Pangasinan
Dagupan City |
| 18. Claret School
Quezon City | 38. St. Paul University Quezon City
Quezon City | 58. Our Lady of the Sacred Heart College of Guimba, Inc.
Guimba, Nueva Ecija |
| 19. Father Saturnino Urios University
Butuan City | 39. Philippine College of Criminology
Sta. Cruz, Manila | 59. Trinity University of Asia, Inc.
Quezon City |
| 20. Asia Pacific Technology Educational Foundation, Inc.
Makati City | 40. Saint Joseph College
Maasin, Southern Leyte | 60. St. Columban College
Pagadian City |

Top 100 Participating Institutions



- | | | |
|--|---|--|
| 61. Sisters of Mary of Banneux, Inc.
Silang, Cavite | 75. Brokenshire College
Davao City | 88. Bacolod Tay Tung High School, Inc.
Bacolod City |
| 62. College of the Immaculate Conception
Cabanatuan City | 76. University of Manila
Sampaloc, Manila | 89. Southern Mindanao Colleges
Pagadian City |
| 63. Velez College
Cebu City | 77. Assumption College of Davao, Inc.
Davao City | 90. Colegio De Dagupan, Inc.
Dagupan City |
| 64. Holy Trinity College of General Santos City
General Santos City | 78. (The) Roman Catholic Bishop of Cubao, Inc.
Quezon City | 91. De Ocampo Memorial College
Sampaloc, Manila |
| 65. New Era University
Quezon City | 79. Bicol College
Daraga, Albay | 92. St. Thomas Academy
Santo Tomas, Batangas |
| 66. Maria Montessori Children's School Foundation, Inc.
Parañaque City | 80. Sto. Niño Parochial School
Quezon City | 93. Dominican School (Manila), Inc.
Sampaloc, Manila |
| 67. Systems Plus College Foundation
Angeles City | 81. Holy Family School of Quezon City, Inc.
Quezon City | 94. University of Cebu, Inc.
Cebu City |
| 68. Southwestern University
Cebu City | 82. Southern Baptist College
M'Lang, North Cotabato | 95. Dansalan College
Marawi City |
| 69. St. Michael's College of Laguna
Biñan, Laguna | 83. Silliman University
Dumaguete City | 96. Holy Cross of Davao College
Davao City |
| 70. St. Vincent's College
Dipolog City | 84. Naga Parochial School
Naga City | 97. Union Christian College
San Fernando City, La Union |
| 71. Central Colleges of the Philippines
Quezon City | 85. Cebu Doctors' College of Arts and Sciences
Mandaue City | 98. St. Michael's Institute of Bacoor, Inc.
Bacoor, Cavite |
| 72. Rizal Memorial Colleges
Davao City | 86. Davao Doctors College
Davao City | 99. Ormoc Educational Corporation (Western Leyte College)
Ormoc City |
| 73. Dominican College
San Juan City | 87. Harris Memorial College
Taytay, Rizal | 100. Immaculate Heart of Mary Academy
Mati, Davao Oriental |
| 74. Aklan Catholic College, Inc.
Kalibo, Aklan | | |

New Participating Institutions - 2020

LUZON

- | | |
|---|--|
| 1. Asia Theological Association International (ATA), Inc.
Quezon City | 4. Carabel Learning School, Inc.
Caloocan City |
| 2. Montessori Children's Workshop, Inc.
Biñan, Laguna | 5. University of Perpetual Help Rizal Jonelta Foundation School of Medicine, Inc.
Las Piñas City |
| 3. NU Fairview Incorporated
Quezon City | |

MINDANAO

- | |
|--|
| 1. Holy Trinity High School of Midsalip, Inc.
Midsalip, Zamboanga del Sur |
| 2. Holy Family High School of Ramon Magsaysay, Inc.
Ramon Magsaysay, Zamboanga del Sur |



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