



20
YEARS
OF SERVICE



Annual
Report
2017

ABOUT THE COVER

We can all learn valuable lessons from the geese. Flying in V formation, each goose provides additional lift and reduces air resistance for the goose behind it. As a result, the whole flock can fly much farther together with the same amount of energy expended by each goose when they fly alone. When the lead goose gets tired, it falls back to rest and another one takes its place.



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PSMBFI

The concept of PSMBFI, as an Association of men and women who lay their lives for others every day, is similar to the geese in flight – members caring for fellow members during their most trying times.

PSMBFI is committed to its core values, mission and vision. The good intentions of its founding fathers are preserved as it continues to innovate and offer insurance products that are created to suit the needs of those in the public safety profession. Today, PSMBFI continues to soar high with its growing membership and with the strong support of its partner agencies.

MISSION

- To provide timely financial and material aid and comfort to public safety practitioners and their families.
- To enhance the work environment that will further develop competent, committed, trustworthy and service-oriented personnel.
- To embark on projects that will improve mutual assistance and foster camaraderie among members.

VISION

By 2020, PSMBFI shall be a progressive and stable mutual benefit association extending benefits and services that are highly responsive to the needs of members.

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CORE VALUES

- Loyalty
- Ethics
- Accountability & Integrity
- Professionalism
- Service Excellence

Let me take this opportunity to congratulate the Public Safety Mutual Benefit Fund, Inc., for successfully fortifying its pillars of growth and providing members with insurance protection. Every step of the way, you have prioritized their welfare by ensuring peace of mind and helping enhance their quality of life.

We, in the Philippine National Police, have won many battles but we have yet to fully win the war against criminality, violent extremism, and the proliferation of illegal drugs in our country. More than ever, we need life insurance as we put our lives in danger, not once but multiple times. We have to be ready to face the challenges of public service. Hence, I commend PSMBFI for being able to carry on its commitment to care for the welfare of its members as they enforce the law and during their most trying times. I, myself, have witnessed the depth of PSMBFI's support to the initiatives of the PNP.

The credibility of the PSMBFI as a reliable insurance provider is well established, but I still urge you to remain guided by your core values of loyalty, ethics, accountability and integrity, professionalism, and service excellence. Thus, it is my distinct honor to be working with the company's Board of Trustees, the Management, and employees as we move forward to build TEAM PSMBFI. I know that you will embrace me as one of your own, and together – we can come up with more benefits for the members.

Thus, on behalf of the men and women of the PNP, I must say: Thank you PSMBFI for having gone above and beyond even our expectations.



PDG OSCAR D ALBAYALDE
Chief, PNP and Chairman, PSMBFI



**Message from the
Chairman**
(May 24, 2018 to present)

CORE VALUES

The year 2017 was characterized by challenges in law enforcement and public service. Our members weathered many trials brought about by the extensive campaigns against criminality, illegal drugs, insurgency and terrorism. They faced the daily dangers related to the public safety profession while others coped with their own health issues. We lost gallant members along the way, while others survived with marked battle scars.

The greatest of dangers our members face may be the least appreciated, but PSMBFI never lost sight of the very essence of its creation twenty years ago – “to provide insurance protection.” PSMBFI listened to its members, identified the risks they faced, and provided solutions through a wide array of insurance benefits and monetary privileges. This way, members have peace of mind by being aware of their financial security and preparedness for any eventuality.

The unique relationship that exists between PSMBFI and its members is built on reliability, trust and loyalty. The Association is not only loyal and committed to the people it serves and works with but also to the achievement of the mission to meet the needs of its members.

As Chairman of the PSMBFI, I see to it that the Association quickly responds to the needs of its members and their families. Among others, we make sure that the cash advance on insurance claims is received by the beneficiaries of a deceased member within 24 hours, and the families of recruits who die in training receive the insurance benefits even as we wait for the first premium payment. We also give priority to members injured during operations even as we extend financial aid to those who are sick or are affected by accidents or calamities.

The demands of members during these challenging times are a call for us to ensure that the insurance protection and monetary benefits we provide are significantly tailored-fit to the needs of our clients. This platinum year will be more promising as realities in the public safety profession will be addressed with increased benefits. Accessibility of information and services will also continue to be felt tapping all available media, including social media.

We are responsible for one another and we will continue to watch each other's back as members of PSMBFI. Ipagpatuloy nating pagkatiwalaan and ating PSMBFI!



PDG RONALD M DELA ROSA
Chief, PNP and Chairman, PSMBFI



Message from the Chairman

(July 28, 2016 to May 24, 2018)

LOYALTY

When the Public Safety Mutual Benefit Fund, Inc. was established in 1997, the future was quite unpredictable. Nobody knew what tomorrow will bring for the Association and its members. But with PSMBFI's solid vision coupled with our employees' work ethics and perseverance, what was merely a vision became a reality.

At PSMBFI, we treat each other as family. Just like any other organization, there are challenges and trials, but with the same vision and work ethics, we were able to weather all of these challenges to become one of the most trusted and leading mutual benefit associations in the country.

I would like to congratulate the management and the men and women of the PSMBFI for maintaining the core values of our Association – Loyalty, Accountability and Integrity, Professionalism, Service Excellence, and ETHICS. The discipline that we have in dealing with what is good and bad with moral duty and obligation took us to where we are today.

With great optimism, I believe that PSMBFI will continue to grow and will have a bright future. With our member's confidence and trust, another 20 years of excellence and achievement is just within an arm's reach. Let us all make this new vision happen.

May God bless us all!



PDDG ARCHIE FRANCISCO F GAMBOA
The Chief of Directorial Staff, PNP
and Vice Chairman, PSMBFI



Message from the Vice Chairman

ETHICS

Accountability and Integrity - two attributes that are essential to our ability to grow at a faster pace making us the most trusted mutual benefit association in the country and reliable partner of public safety agencies. These are, in fact, two of our core values which have been the guiding principles in our daily operations. The success and reputation established by PSMBFI for the past twenty (20) years have been built upon a culture of accountability and integrity.

As President of a multi-billion peso company serving 178,287 members, it is always a challenge to maintain this culture in a very dynamic environment where change is inevitable. Most of us know what the right things are, but being able to execute it is another issue. Some people would tend to adopt the simplest option as an automatic response to such changes, but for me, we could go the unorthodox way as long as accountability is maintained and integrity is upheld. Not all decisions, however, will deliver the required expectations but open and honest communication with members are fundamental in maintaining a lasting partnership. This has earned the trust and confidence of twelve (12) public safety agencies that are currently being served by the company.

When we hear of accountability, we also associate it to prudence in the management of funds. The strong financial condition of the company and its continuous growth are testaments to such business acumen. With substantial amount of resources, it takes a lot of courage and decisiveness to venture and take a little leap outside of a traditional stance so we could create true value to our members. Indeed, we were able to provide more than our contractual obligation which has been the mantra of the company for several years now.

Accountability and integrity are organizational values embraced not only by the top management of PSMBFI but adhered to by all employees at every level. Thus, members are provided with the highest degree of service anchored on our core values.

As we begin another chapter, let me take this opportunity to thank our forebears who have instilled these core values that shaped every facet of the organization. The same appreciation and gratitude are also extended to former presidents and officers of PSMBFI for continuing the legacy which is cascaded up to the present.

Let me also express my sincerest thanks to the members of the Board of Trustees for their invaluable contributions and guidance, to the management team and employees of PSMBFI for their hard work and passion to serve, and most importantly, to our members who serve as our inspiration and to whom we dedicate the success of PSMBFI.

Maraming salamat po!



DIR MARIO A AVENIDO



**Message from the
President & CEO**

**ACCOUNTABILITY
& INTEGRITY**

Professionalism has always been a fundamental component in any business success. It ensures that company goals and objectives are met by establishing boundaries, encouraging improvement, maintaining accountability, and promoting respect. The Public Safety Mutual Benefit Fund, Inc has been at the forefront of this particularly in providing assistance to the country's public safety practitioners over the past 20 years, and this was made possible by the determination, hard work, and professionalism of our employees.

PSMBFI has gone a long way in building a brighter future for its members. Its accomplishments over the years are proof of the Association's unwavering dedication to ensuring quality service for the country's law enforcers and public safety personnel.

Despite the challenging times, PSMBFI has remained firm in its objective to provide a safety blanket for our men and women who sacrifice their lives and limbs for the protection of our nation.

We are looking forward to more years of protecting those who protect us. We are setting sights to a future that is made stronger and better by the Association's values, principles, and passion for service. Our members will serve as our inspiration to keep moving forward.

With our partner agencies' help and cooperation, our members' confidence, and our employees' professionalism, we trust that PSMBFI will open more doors for excellence and achievements in the years to come.



DIR ARMANDO E RAMOLETE



**Message from the
Vice President & Risk Officer**

PROFESSIONALISM

At the very heart of an organization lies a most profound aspiration of delivering unparalleled service to its customers that not only signifies a major core value that it lives by, but greatly defines its very essence...the central constituent of its character.

PSMBFI has been serving its niche clientele in its sincerest capacity for the last 20 years. While it prides itself in its selfless regard for the welfare and best interest of its members, which resonates in the kind of products and benefits it offers, the organization acknowledges the fact that the quality of the service it provides should exude the same level of devotion and commitment.

We at PSMBFI view service excellence, not only as one of the corporate values that we embrace but also as a core principle in itself – dynamic yet constant, demanding yet benevolent. It is one that requires a certain measure of humble dedication, an expression of our capacity to do right by our clients no matter what the circumstance.

Our commitment is our persistent aspiration to better our best and this we express in a 3-point service excellence agenda:

We commit to a “**service promise**”. We uphold a genuinely realistic service guarantee that offers, not to exceed client expectations, but to sustain that which we have pledged to provide while dedicating efforts to deal with any obstacle that may arise in the course of our service delivery.

We commit to a “**servant’s heart**”. Amidst our daily struggle at humility, we endeavor to maintain perspective on the focus of our service, our members, and ensure to forget our own interests long enough to provide them with the assistance they so rightfully deserve.

We commit to a “**service standard**”. We bank on knowing that our customers are satisfied. Our disposition is one that aligns with specific performance parameters while consenting to being measured against our clients’ satisfaction yardstick thereby helping them assess whether they made the right choice by partnering with us.

Our confidence stems, not from believing that we are already at the peak of our customer service capacity, but in our understanding and acceptance of our limitations and weaknesses. We may have yet to reach the level of service quality that we have set out to provide to our members, but more important is our unwavering determination to get there.

As PSMBFI continues to be a market forerunner in its niche, steadfast in forging business relationships into lasting partnerships with its members, we expect no less of its service to its client base to reach such level of excellence. As they say, an organization is only as good as its customer service.



SEBASTIAN C SIGUAN



**Message from the
General Manager & COO**

**SERVICE
EXCELLENCE**



The Board of Trustees supervises and controls the business, property, funds, and affairs of the Association. It adheres to rules and regulations that are consistent with the law and with its charter and by-laws in the management of the business.

BOARD COMMITTEES

The **Executive Committee** is organized to evaluate resolutions, projects, or activities for Board action. It may also act on all other matters upon its own initiative or as may be delegated by the Board.

The **Governance Committee** provides for the Board's effectiveness and continuing development, and assists the Board in all matters relating to corporate governance and in making recommendations as described in this Charter or as requested by the Board and such other matters as:

- a. Corporate governance policies and practices;
- b. Director nomination;
- c. Board and management review and evaluation;
- d. Review of possible conflicts of interest;
- e. Director compensation;
- f. Director orientation and education;
- g. Organizational Structure;
- h. Screening and remuneration;
- i. Review of by-laws and other policies;
- j. Review and performance evaluation of contracted services; and
- k. Other delegated duties or responsibilities.

The **Membership Committee** is created primarily to assist the Board in all matters relating to membership such as but not limited to expansion, recruitment, retention and renewal.



It shall also act on any and all matters upon its own initiative or upon delegation of the Executive Committee and the Board.

The **Information Technology Committee** is created to assist the Executive Committee evaluate and/or supervise IT-related activities to ensure that the functions, objectives, and processes of the Company are vigorously carried out in pursuit of its Vision and Mission.

It may also act on any and all IT-related matters upon its own initiative or upon delegation of the Executive Committee.

The **Risk and Audit Committee** assists the Board in carrying out its responsibilities for policy formulation; in fulfilling its oversight responsibility relating to risk management systems; in overseeing the Company's financial reporting, internal control structure, and the internal and external audit functions; in overseeing its funds management functions; in complying with legal and regulatory matters; and in making recommendations in relation to all matters within its responsibility as described in this Charter or as requested by the Board.

The Committee ensures that an overall set of risk management policies and procedures exist for the Company; reviews the adequacy of the Company's risk management framework/process; and reviews the result of the annual risk assessment. The Committee shall regularly oversee the Company's process for management and communication of key risks facing the Company, as well as the guidelines, policies, and processes for monitoring and mitigating such risks, and for other matters concerning the internal and external risks faced by the Company.

The Committee shall oversee the fairness of the Company's financial statements and the soundness of its financial reporting process, the robustness of its internal control and internal audit activities, and the annual external independent audit of the financial statements.

The Committee's principal function is one of oversight, review and monitoring.



DIR RONALD M DELA ROSA

BORN: January 21, 1962 AGE: 56

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: University of Southern Philippines
Degree: Ph.D in Development Administration
Year Graduated: 2006

School: University of Southern Philippines
Degree: Master in Public Administration
Year Graduated: 1999

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Military Science
Year Graduated: 1986

EXPERIENCE

Position: Chief, Philippine National Police
Inclusive Dates: July 1, 2016 - April 2018

Position: Executive Director,
Directorate for Human Resource
and Doctrine Development, PNP
Inclusive Dates: November 2014 to June 30, 2016

Position: Deputy Director for Administration
Intelligence Group, PNP
Inclusive Dates: June 18, 2014 to October 16, 2014

Position: Chief of Staff,
Intelligence Group, PNP
Inclusive Dates: October 18, 2013 to June 18, 2014

Position: City Director,
Davao City Police Office, PNP
Inclusive Dates: January 30, 2012 to October 18, 2013

APPOINTMENT WITH PSMBFI

Position: Chairman
Date Elected / Appointed: July 28, 2016



DIR ARCHIE FRANCISCO F GAMBOA

BORN: SEPTEMBER 2, 1964 AGE: 53

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Jose Rizal University
Degree: Bachelor of Laws
Year Graduated: 2004

School: Fr Saturnino Urios University
Degree: Masters in Business Administration
Year Graduated: 1995

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science in Military Service
Year Graduated: 1986

EXPERIENCE

Position: The Chief of Directorial Staff, PNP
Inclusive Dates: March 17, 2017 to present

Position: Director,
Directorate for Comptrollership, PNP
Inclusive Dates: July 1, 2016 to March 16, 2017

Position: Deputy Director,
Directorate for Logistics, PNP
Inclusive Dates: June 30, 2016

APPOINTMENT WITH PSMBFI

Position: Vice-Chairman
Date Elected / Appointed: March 1, 2017



DIR MARIO A AVENIDO

BORN: November 18, 1957 AGE: 60

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Manuel L Quezon University
Degree: Master in Public Administration
Year Graduated: 1995

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science
Year Graduated: 1981

School: Siliman University
Degree: Bachelor of Science
in Civil Engineering
Year Graduated: 1975

EXPERIENCE

Position: Director, Finance Service, PNP
Inclusive Dates: February 14, 2013 to
November 15, 2013

Position: Regional Director,
Police Regional Office ARMM, PNP
Inclusive Dates: February 23, 2012 to
January 4, 2013

Position: Director, Police Community
Relations Group, PNP
Inclusive Dates: November 3, 2010 to
February 22, 2012

Position: Deputy Director, Directorate for
Police Community Relations, PNP
Inclusive Dates: August 12, 2010 to
November 3, 2010

APPOINTMENT WITH PSMBFI

Position: President/CEO
Date Elected / Appointed: February 28, 2014

Position: Vice President
Date Elected / Appointed: January 30, 2014

Position: Corporate Treasurer
Date Elected / Appointed: February 27, 2013



DIR ARMANDO E RAMOLETE

Born: March 13, 1960 AGE: 58

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Greenville College
Degree: Doctor of Public Administration
Year Graduated: 2017

School: Philippine College of Criminology
Degree: Ph.D. in Criminology
Year Graduated: 1997

School: International University,
Missouri, USA
Degree: Masters in Business Administration
Year Graduated: 1993

School: Polytechnic University
of the Philippines
Degree: Masters in Psychology
Year Graduated: 1991

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science
Year Graduated: 1982

School: Baguio City Foundation
Degree: BS Civil Engineer
Year Graduated: 1978

EXPERIENCE

Position: Director, Philippine National
Police Academy
Inclusive Dates: 2014 to 2016

Position: Deputy Director,
Directorate for Personnel and
Records Management, PNP
Inclusive Dates: 2013 to 2014

Position: Police Attaché, Washington DC
Inclusive Dates: 2009 to 2013

Position: Senior Police Assistant to the
Secretary of the Interior
and Local Government
Inclusive Dates: 2006 to 2009

Position: Chief, Foreign Liaison Division,
Directorate for Intelligence, PNP
Inclusive Dates: 2003 to 2006

APPOINTMENT WITH PSMBFI

Position: Vice President
Date Elected
/ Appointed: April 16, 2016



DIR LYNDON G CUBOS

BORN: February 3, 1964 AGE: 54

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Jose Rizal University
Degree: Bachelor of Laws
Year Graduated: 2001

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science
Year Graduated: 1986

EXPERIENCE

Position: Director,
DPRM, PNP
Inclusive Dates: April 27, 2018 to present

Position: Director,
Finance Service, PNP
Inclusive Dates: July 1, 2016 to April 26, 2018

Position: Director,
PNP Retirement and Benefits
Administration Service
Inclusive Dates: March 16, 2016 to
June 30, 2016

Position: Executive Officer,
Directorate for Personnel and
Records Management, PNP
Inclusive Dates: February 11, 2016 to
March 14, 2016

Position: Acting Executive Officer,
Directorate for Personnel and
Records Management, PNP
Inclusive Dates: December 8, 2016 to
February 10, 2016

Position: Police Liaison Officer,
Philippine Consulate General
in San Francisco, CA
Inclusive Dates: 2011 to 2015

APPOINTMENT WITH PSMBFI

Position: Corporate Treasurer
Date Elected/
Appointed: July 28, 2016



DIR FELIPE S MOQUIALA

BORN: September 28, 1967 AGE: 50

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Quezon College of Southern
Philippines
Degree: MA in Educational Management
Year Graduated: 2002

COLLEGE

School: Bukidnon State College
Degree: Bachelor of Arts in Mathematics
Year Graduated: 1991

EXPERIENCE

Position: Chief Executive Senior Police
Officer (CESPO)
National Headquarters, PNP
Inclusive Dates: August 5, 2017 to present

Position: Regional Executive Senior Police
Officer (RESPO)
PRO 11, PNP
Inclusive Dates: November 2016 to August 2017

Position: Chief Clerk,
Regional Investigation and
Detective Management Division, PNP
Inclusive Dates: 2013 to 2016

Position: Investigator/ Intel/ OPN PNCO
Sto. Tomas Police Station,
DNPPPO, PRO 11
Inclusive Dates: 1998 to 2013

Position: Rifleman
PNP Special Action Force
Inclusive Dates: 1993 to 1998

APPOINTMENT WITH PSMBFI

Position: Assistant Treasurer
Date Elected /
Appointed: August 30, 2017

Position: Member, Board of Trustees
Date Elected /
Appointed: April 22, 2017



DIR RICARDO C MARQUEZ
BORN: August 28, 1960 AGE: 57

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Philippine Christian University
Degree: Master in Management
Year Graduated: 1996

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science
Year Graduated: 1982

EXPERIENCE

Position: Chief,
Philippine National Police
Inclusive Dates: July 16, 2015 to June 28, 2016

Position: The Director for Operations, PNP
Inclusive Dates: December 13, 2014 to
July 15, 2015

Position: Regional Director,
PRO 1, PNP
Inclusive Dates: January 9, 2013 to
December 12, 2013

APPOINTMENT WITH PSMBFI

Position: Chairman / Member,
Board of Trustees
Date Elected/
Appointed: August 25, 2015



DIR JUANITO B VAÑO JR
BORN: May 30, 1960 AGE: 58

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Philippine Christian University
Degree: Master in Management
Year Graduated: 1996

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science
Year Graduated: 1983

EXPERIENCE

Position: Director,
Directorate for Logistics, PNP
Inclusive Dates: May 7, 2014 to May 30, 2016

Position: Regional Director,
PRO 9, PNP
Inclusive Dates: December 27, 2012 to
May 7, 2014

APPOINTMENT WITH PSMBFI

Position: Member, Board of Trustees
Date Elected /
Appointed: April 12, 2014



DIR RENE O ASPERA
BORN: May 7, 1962 AGE: 56

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Philippine College of Health
and Sciences
Degree: Masters in Public Administration
Year Graduated: 2001

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science
Year Graduated: 1987

School: Visayas Technical Insitute
Degree: Mechanical Technician
Year Graduated: 1982

EXPERIENCE

Position: Director,
Directorate for Personnel and
Records Management, PNP
Inclusive Dates: March 27, 2017 to May 7, 2018

Position: Director,
Police Security Protection
Group, PNP
Inclusive Dates: July 1, 2016 to March 27, 2017

Position: Chief, Regional Logistics Division
NCRPO, PNP
Inclusive Dates: March 2012 to June 2014

Position: City Director,
Davao City Police Office
PRO 11, PNP
Inclusive Dates: January 10, 2010 to February 2012

APPOINTMENT WITH PSMBFI

Position: Member, Board of Trustees
Date Elected /
Appointed: May 29, 2017



DIR KEITH ERNARD L SINGIAN

BORN: July 12, 1961 AGE: 57

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: University of La Salette
Degree: Doctor on Public Administration
Year Graduated: 2015

School: University of La Salette
Degree: Masters in Criminology
Year Graduated: 2011

School: Pamantasan ng Lungsod ng Maynila
Degree: Masters in Government Management
Year Graduated: 1997

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science
Year Graduated: 1983

School: University of Santo Tomas
Degree: Bachelor of Science in Chemical Engineering
Year Graduated: Undergraduate

EXPERIENCE

Position: Director,
Directorate for Human Resources and Doctrine Development, PNP
Inclusive Dates: 2016 to 2017

Position: Deputy Director,
Directorate for Human Resources and Doctrine Development, PNP
Inclusive Dates: 2015 to 2016

Position: Deputy Regional Director for Administration, PRO CARAGA
Inclusive Dates: 2013 to 2015

Position: Deputy Director for Operations, Criminal Investigation and Detection Group
Inclusive Dates: 2012 to 2013

Position: Chief / Head,
School for Investigation and Detective Development (SIDD),
Directorate for Investigation and Detective Development, PNP
Inclusive Dates: 2010 to 2012

APPOINTMENT WITH PSMBFI

Position: Member, Board of Trustees
Date Elected /
Appointed: April 22, 2017



DIR JOHN Q SOSITO

BORN: July 26, 1961 AGE: 56

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Manuel L. Quezon University
Degree: Bachelor of Laws
Year Graduated: 1991

COLLEGE

School: Philippine Public Safety College
Degree: Bachelor of Science in Public Safety
Year Graduated: 1984

School: Philippine College of Criminology
Degree: Bachelor of Science in Criminology
Year Graduated: 1982

APPOINTMENT WITH PSMBFI

Position: Member, Board of Trustees
Date Elected /
Appointed: April 22, 2017



DIR VALFRIE G TABIAN

BORN: February 24, 1961 AGE: 57

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: St. Ferdinand University
Degree: Master in Public Administration
Year Graduated: 1999

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science
Year Graduated: 1986

School: St. Louis University of Tuguegarao
Degree: Bachelor of Science in Civil Engineering
Year Graduated: Undergraduate

EXPERIENCE

Position: Deputy Director General for Administration
Bureau of Corrections
Inclusive Dates: September 2017 to present

APPOINTMENT WITH PSMBFI

Position: Member, Board of Trustees
Date Elected /
Appointed: April 22, 2017



DIR JOAQUIN R ALVA

BORN: February 9, 1967 AGE: 51

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Philippine College of Criminology
Degree: Doctor of Philosophy in Criminology
Year Graduated: 2017

School: National College of Business Administration
Degree: Master of Public Administration
Year Graduated: 2007

School: Philippine Law School
Degree: Bachelor of Laws
Year Graduated: 2002

COLLEGE

School: Philippine National Police Academy
Degree: Bachelor of Science in Public Safety
Year Graduated: 1992

School: Philippine College of Criminology
Degree: Bachelor of Science in Criminology
Year Graduated: 1988

EXPERIENCE

Position: Chief, OPRMD, NCRPO
Inclusive Dates: January 1, 2018 to present

Position: Chief of Police, Mandaluyong City EPD, NCRPO, PNP
Inclusive Dates: January 9, 2016 to November 22, 2017

Position: Chief, ORIDMD, R7 NCRPO, PNP
Inclusive Dates: August 15, 2015 to January 8, 2016

Position: Chief, PPSFU NCRPO, PNP
Inclusive Dates: September 10, 2013 to August 14, 2015

APPOINTMENT WITH PSMBFI

Position: Member, Board of Trustees
Date Elected / Appointed: April 22, 2017



DIR LYNETTE M TADEO

BORN: February 5, 1977 AGE: 41

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: San Sebastian College - Recoletos Manila
Degree: Bachelor of Laws
Year Graduated: 2002

COLLEGE

School: Far Eastern University
Degree: AB Political Science
Year Graduated: 1998

EXPERIENCE

Position: Acting Chief, Legal Research and Evaluation Division, PNP Legal Service
Inclusive Dates: June 29, 2016 to present

APPOINTMENT WITH PSMBFI

Position: Member, Board of Trustees
Date Elected / Appointed: September 28, 2017



DIR JUANITO P DIMACULANGAN

BORN: February 15, 1965 AGE: 53

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: Republican College
Degree: Master of Science in Criminology
Year Graduated: 2002

COLLEGE

School: Republican College
Degree: Bachelor of Science in Criminology
Year Graduated: 2000

EXPERIENCE

Position: Municipal Executive Senior Police Officer (MESPO) Chief, Police Community Relations San Antonio Police Station Zambales Police Provincial Office, PRO 3
Inclusive Dates: September 15, 2017 to present

Position: Chief Executive Senior Police Officer (CESPO), PNP
Inclusive Dates: May 10, 2015 to September 2017

Position: Executive Senior Police Officer, CG-DPS, Office of the Deputy Chief, PNP for Administration
Inclusive Dates: May 14, 2014 to May 10, 2015

Position: Chief Clerk, Office of the Deputy Chief, PNP for Administration
Inclusive Dates: October 7, 2007 to May 13, 2015

Position: Director, PNP Provident Fund
Inclusive Dates: August 3, 2015 to Present

Position: Member, Association of Government Internal Auditor
Inclusive Dates: July 10, 2015

Position: Adviser, PNCO Association, Inc.
Inclusive Dates: May 10, 2015 to Present

APPOINTMENT WITH PSMBFI

Position: Member, Board of Trustees
Date Elected / Appointed: August 30, 2016

Position: Assistant Corporate Treasurer
Date Elected / Appointed: September 14, 2015



PDIR NAPOLEON C TAAS

BORN: June 20, 1962 AGE: 56

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: University of Asia & the Pacific
Degree: Masters in Business Economics
Year Graduated: On-going

School: University of Asia & the Pacific
Degree: Strategic Business Economics
Year Graduated: 2015

School: Information Systems Audit
and Control Association
(ISACA)

Degree: Certified Information Security
Manager (CISM)
Year Graduated: 2014

School: Philippine Christian University
Degree: Master in Management
Year Graduated: 1998

COLLEGE

School: US Military Academy,
West Point, New York
Degree: Bachelor of Science
in Civil Engineering
Year Graduated: 1984

EXPERIENCE

Position: Commander
ASEAN 2017 Security Task Force
Inclusive Dates: November 2016 to
December 2017

Position: Director,
Directorate for Information
and Communications
Technology Management, PNP
Inclusive Dates: 2016

Position: Director,
Information and Technology
Management Service, PNP
Inclusive Dates: August 2013 to 2015

Position: Commander,
Anti-Illegal Drugs Special
Operations Task Force, PNP
Inclusive Dates: January 2013 to August 2013

Position: Senior Executive Assistant,
Office of the Chief, PNP
Inclusive Dates: 2008 to 2009

APPOINTMENT WITH PSMBFI

Position: Corporate Auditor
Date Elected /
Appointed: August 29, 2013



ATTY MATTHEW P BACCAY

BORN: September 21, 1970 AGE: 47

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: University of Mindanao
Degree: Bachelor of Laws
Year Graduated: 2001

School: Ateneo de Davao University
Degree: Master in Public
Administration
Year Graduated: 1997

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science
Year Graduated: 1992

EXPERIENCE

Position: Chief, Fiscal Division,
Directorate for
Comptrollership, PNP
Inclusive Dates: 2016 to present

Position: Chief,
Regional Comptrollership
Division, PRO ARMM, PNP
Inclusive Dates: 2015 to 2016

Position: Chief,
Budget and Fiscal Division,
Directorate for Personnel and
Records Management
Division, PNP
Inclusive Dates: 2014 to 2015

APPOINTMENT WITH PSMBFI

Position: Corporate Secretary
Date Elected
/Appointed: March 1, 2017



CAPT SEBASTIAN C SIGA-AN PN(Ret)

BORN: August 17, 1960 AGE: 57

**EDUCATIONAL BACKGROUND
POST GRADUATE STUDIES**

School: San Sebastian College Recoletos
Degree: PhD in Management
Year Graduated: 2014 to present

School: De La Salle University
Degree: Master of Science in Financial
Engineering
Year Graduated: 2005

School: Asian Institute of Management
Degree: Master in Management
Year Graduated: 1999

School: University of the Philippines,
Diliman, Quezon City
Degree: Master in Technology
Management
Year Graduated: 1999

COLLEGE

School: Philippine Military Academy
Degree: Bachelor of Science
Year Graduated: 1983

EXPERIENCE

Position: Security Service Group
Manager, Ibiden Philippines Inc.
Inclusive Dates: January 2012 to July 2012

Position: Corporate Security Manager
and Port Facility Security
Officer, Asian Terminals Inc.
Inclusive Dates: 2010 to 2012

Position: Director for Security Services,
Pacific Strategies and
Assessments
Inclusive Dates: 2008 to 2010

Position: Group Commander,
Course Director and Head,
Command Leadership and
Management Department
of the AFP Command and
General Staff College
Inclusive Dates: 2005 to 2008

Position: Deputy Director of the
Defense Modernization,
Office of the Department of
National Defense
Inclusive Dates: 2002 to 2005

Position: Head of Production Branch,
AFP Retirement and
Separation Benefits System
Inclusive Dates: 1999 to 2002

APPOINTMENT WITH PSMBFI

Position: General Manager / COO
Date Hired: April 1, 2014 to present



CONSISTENT PROFITABILITY AND GROWTH

DIR MARIO A AVENIDO
President and CEO

“

DEAR MEMBERS,

2017 marks our 20 years of existence and I am pleased to inform our members that we celebrated our platinum year with strong financial performance and solid balance sheet. We ended the year with a record high net income of P914.54 million which further fortifies the financial position of the company.

”

With two decades of operations, our net worth rose to P8.44 billion, a feat that any organization would be proud of especially for a company that started from a simple and humble beginning. This achievement strongly demonstrates our ability to achieve greatly even under a very challenging market condition.

The strategic initiatives that were implemented and essential decisions made in 2017 led to our significant accomplishments. We hit our targets and did well in our core business. We were able to successfully implement major strategies and activities under our Medium Term Strategic Plan (MTSP). The company continued to perform strongly in terms of membership and investment operations which underpinned our capability to provide benefits more than our contractual obligations. With these combined and more, the growth trajectory of the company is maintained.

These remarkable accomplishments will serve as our inspiration to work harder in order to maintain the growth momentum amid some shifts in fiscal policies of the government, a game-changer that will challenge the stability of a company.

Guided by our 5-year Development Plan, our company is ready to implement plans and strategies to ensure our sustainability and growth. We will be flexible in our membership operations and diligent in our investment policies which are anchored on stability, liquidity, and yield. We will continue to embark on improving our processes especially on information technology.

By leveraging on the solid foundation of PSMBFI coupled with reliable workforce through the guidance of our Board of Trustees, we could overcome any challenges. Most importantly, with the continued patronage of our members, we could make a great stride in maintaining our position as the most reliable partner of public safety practitioners.



FINANCIAL HIGHLIGHTS

Net Income

A solid performance in the core business paved the way for the company to deliver a Net Income of P914.54 million, a record high in the history of PSMBFI translating to a **40%** profit margin. Underwriting income went up by 6% to P826.08 million on the back of continuous expansion of membership base. Complemented by investment, both from loans and fixed income securities, interest income increased by 5% to P1.39 billion reflecting the alignment of its investment policy to the strategic focus area of sustainability and growth.

Assets

The remarkable performance counter balanced the major pay-outs implemented during the year, keeping the financial position of the company stable. With assets of P14.58 billion as of December 31, 2017, PSMBFI remains financially strong, capable of sustaining the benefits and of continuing delivery of real value to its members, and most importantly, resilient to any challenges.

Net worth

The consistent growth trajectory highlights the good financial health of PSMBFI, maintaining its dominant lead in terms of net worth. It was recorded at P8.48 billion as of December 31, 2017, a 12% jump from the 2016 record, reinforcing the financial stability of the company and increasing its capability for future expansion as well as its capacity to implement initiatives that redound to the benefit of the general membership.



OPERATIONAL HIGHLIGHTS

Membership

The Association remains the trusted insurance provider of public safety agencies. Banking on the credibility it has established over the years, it has earned the trust and confidence of the Land Transportation Office in 2017, the newest and twelfth (12th) member of the PSMBFI family.



Membership has grown significantly at a faster pace with 8% from 165,024 in 2016 to 178,287 in 2017 propelled by continued patronage of members and the support of partner agencies. Similarly, enrollment in other insurance plans grew by 9% in the SGTI, 8% in the BAB, and 11% in the BGTP.

8%
Growth in Membership

Benefit Claims

The **“24-hour” rule** remains the flagship service of PSMBFI that is strictly being implemented. Partial payment of insurance benefit is released within 24 hours upon receipt of information of the member's death to ensure that benefits and services are immediately provided to beneficiaries when they need it the most. For CY 2017, 401 cash advances were processed, serving 1,408 beneficiaries of deceased members. A total of P226.33 million worth of insurance benefits was released during the year.



Beneficiaries of the late PO1 John Vicson M. De Vera receive the cash advance of insurance claim.

Of this amount, P940,130.00 was released to eight (8) beneficiaries of three (3) PO1 recruits who signed the Membership Application Form (MAF) without the first monthly contribution. True to its mandate, PSMBFI really cares.

Benefits	Number of Claims	Number of Beneficiaries	Amount of Coverage
Equity Plan			
Natural Death	341	1,295	100,806,646
Accidental Death	76	266	35,960,818
Killed-in-Action	60	215	22,080,849
Accidental Disability and Dismemberment	24		1,578,889
Wounded-in-Action	303		7,680,000
Accident Hospitalization Benefit	349	30	1,497,800
Special Group Term Insurance			
Natural Death	332	1,275	5,187,225
Accidental Death	76	265	3,157,000
Killed-in-Action	61	219	2,562,000
Accidental Disability and Dismemberment	24		78,450
Basic Group Term Plan			
Natural Death	217	808	7,314,931
Accidental Death	66	233	4,700,000
Killed-in-Action	55	194	2,025,000
Accidental Disability and Dismemberment	21		149,800
Burial Assistance Benefit	454	1,691	9,620,406
Endowment at 56	33	100	5,247,742
Credit Life Insurance	135		16,685,129
TOTAL			226,332,685

Immediate coverage for PNPA cadets and PO1 recruits and its equivalent in other public safety agencies upon signing of Membership Application Form (MAF) even without payment of first contribution.



Dependents Covered by Free Insurance

PSMBFI has started extending the benefits to the dependents of members under the Members Equity Plan (MEP) by providing free insurance coverage. Since its launching in February 2017, 15,791 dependents are already covered by **P50,000** worth of life insurance. Just like a family, the Association would also like to make sure that the member's loved ones are well taken care of.

Investment

PSMBFI has been prudent in the management of funds. It has adopted a disciplined investment approach by diversifying its portfolio to preserve its substantial resources and to ensure its growth. It is guided by an investment policy with the primary objective of preserving the capital, maintaining the liquidity, and attaining the desired rate of return.

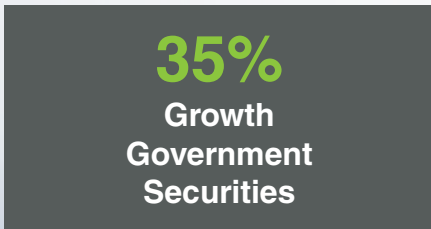
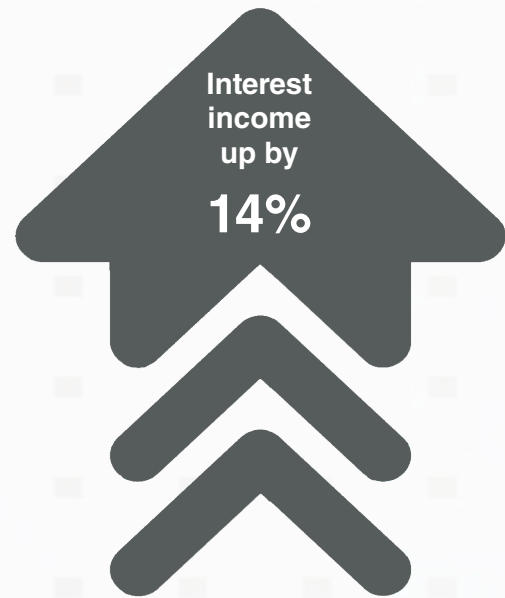
Loans to Members

Loan facilities of PSMBFI continue to respond to the financial needs of the members. For CY2017, the company has released a total of **P1.98 billion** from the combined production of policy and salary loans serving 21,498 and 23,136 member-borrowers, respectively.



Investment in Financial Instruments

PSMBFI has efficiently managed its cash resources by investing excess funds in high-yielding financial instruments. These investments are essential growth drivers of PSMBFI. Placement in Government Securities went up by 35% while Corporate Bonds and Long-Term Negotiable Certificate of Deposits (LTNCD) expanded by 16% and 47%, respectively.



Other Initiatives

Enhancement of Benefits

The company has truly lived up to its primary objective of protecting public safety practitioners. Initiatives are always geared towards enhancing the benefits for any eventualities in line with their duty. In 2017, Killed-in-Action (KIA) and Wounded-in-Action (WIA) benefits of a MEP member were upgraded. KIA benefit increased from 25% to 50% of basic life insurance coverage while WIA benefit from P30,000 to 50,000 for major injuries sustained during legitimate police operations.



Upgrading of **Killed-in-Action Benefit**
from 25% to **50%** of Basic Life Insurance

Wounded-in-Action Benefit
from P30,000 to **P50,000**

The coverage of Accident Hospitalization Benefit was also extended from five (5) days to seven (7) days of hospital confinement due to accident. Thus, the maximum amount that could be provided for MEP members is P7,000 (P1,000/per day of confinement).

Platinum Benefit

In recognition of the loyalty of members who are considered pioneers of PSMBFI or those who joined the company in 1998, they were given the privilege to enjoy the savings component of their contributions with interest. They were also prioritized to transfer to the Members Equity Plan (MEP) for them to avail the benefits of the plan especially the free insurance coverage of one (1) dependent. As of **December 31, 2017, 14,317 platinum members** were already served with corresponding living benefit (Equity Value) of **P1.20 billion**.

MBIEV and MER

This is a continuing initiative of the company to ensure that living benefits are enjoyed by members. A portion of the earnings of the company is distributed annually in the form of the Members' Benefit from Interest of Equity Value (MBIEV) and Members' Experience Refund (MER). For CY 2017, P379.97 million had been released to 103,886 qualified members.

P379.97 Million
103,886
Qualified
Members



OPERATIONAL EFFICIENCY

Intensified Information Campaigns

In its effort to continuously inform the members regarding their benefits and privileges and update them on recent developments, information desks are set up in various offices of partner agencies. This has proven to be an effective tool in maintaining a good partnership as queries and concerns are immediately addressed. Office swarming activities were intensified for a one-on-one approach to inculcate the importance of insurance among the members.

PSMBFI also took advantage of every opportunity where it could keep in touch with its members. It had actively participated during the consultative meetings of top PNCOs of the PNP who served as force multipliers in cascading the information to members in the regions. It was also active during general assemblies of partner agencies to show the support and cooperation of the company to their major activities.



Every member counts. Efforts are not only geared towards ensuring the welfare of active members but also of retirees. The company also took part in the financial lecture of PNP PRBS for retirees to encourage them to maintain their membership for continuous insurance coverage which will answer for any eventualities since uncertainty is still inherent even after retirement.

Relaunching of PSMBFI Facebook page

PSMBFI recognizes that many of its members are active in social media, thus the company intensified its presence in this platform by relaunching its Facebook page. This is another communication channel which provides the fastest, easiest, and wide-ranging mode for information dissemination where members could course their inquiries and concerns. Dedicated personnel are always ready to acknowledge every message and to provide feedback.



www.facebook.com/psmbfi/

Organizational Development

Skills and Competency Development

In a very dynamic market, continuous learning and competency development are essential for the competitiveness of the company. Aside from continuous improvement of communication skills, an innovative way to promote camaraderie and increase inter-team orientation was adopted through an Inter-Team Development Program called The Kitchen Challenge. Not only did the participants exercise their leadership skills and learn how to be creative and resourceful but also improve their cooperation translating to a better working relationship.

At the management level, a Program for Senior Officers' Development (PSOD) was also designed to promote self-development, positive communication, leadership and camaraderie among executives, managers, and supervisors.

Performance Management

In line with the implementation of the new Performance Management System (PMS) with a primary purpose of promoting and improving employee effectiveness, a workshop on Performance Management was also conducted. This is to further enlighten the evaluators on the benefits of effective performance management through performance planning via Key Result Areas (KRAs)/Key Performance Index (KPIs) based on each departmental strategic plan.

Adherence to DOLE Requirement

In compliance with the directive of the Department of Labor and Employment (DOLE), the company developed three (3) occupational health-related policies aimed to address the stigma attached to Tuberculosis (TB), Hepatitis B and HIV/AIDS and to ensure that the employees' right against discrimination and confidentiality is maintained. It has also instituted a whistleblowing policy to protect the rights of employees and officers while encouraging and enabling them to freely communicate serious concerns on policy violations and fraudulent acts without fear of retribution or repercussion.

**Compliant to
Regulatory
Requirements**

Another DOLE requirement that was successfully complied with is the conduct of Red Cross First Aid Training. It was a 4-day certification training in collaboration with the Philippine Red Cross designed to enable individuals to give safe, prompt and effective First Aid to casualty at work and provide knowledge on managing Emergency First Aid situations, including lifesaving skills such as CPR (Cardio Pulmonary Resuscitation) and AED (Automated External Defibrillator).

Risk Management

As a proactive approach in ensuring the preparedness of the company for any crisis or eventualities that may disrupt its normal operations, a Seminar on Contingency Planning was conducted. This is to provide knowledge on how to prepare contingency plans in order to protect the company's resources, minimize customer inconvenience and help the organization to swiftly return to its normal operations after an unforeseen event.



CORPORATE SOCIAL RESPONSIBILITY

Support to PNP Scholarship Program

It is a continuing commitment of the company to support the Scholarship Program of the PNP for deserving



dependents. Through the Experience Refund of the Special Group Term Insurance (SGTI), a total of **P4.09 million** was turned-over to the PNP DPRM on July 17, 2017.

Financial Assistance to Members and Support to Partner Agencies

PSMBFI has been providing more than its contractual obligation by extending financial assistance to members in times of illness or injury and supporting the programs and activities of partner agencies. For CY2017, a total of P13.09 million was released that benefited **745 members and 142 offices of partner agencies**.



“Hanep Pilipinas” Nationwide Photo Contest

In recognition of the talents of members and their dependents, PSMBFI launched a nationwide photo contest with the theme “Hanep Pilipinas” showcasing the Philippines’ natural landscapes, travel destinations, tourist spots, and underwater attractions.



Gift-Giving Activities

Gift-giving activities highlighted the CSR program of PSMBFI wherein grocery bags were distributed to patients of the PNP General Hospital while toys and bags were given to pupils of the PNP OLC Learning Center. This is the company’s way of giving back and showing gratitude especially to those who risk their lives in serving the country.



These are just among the significant accomplishments of PSMBFI which has further strengthened its solid foundation. Rest assured that this remarkable performance will serve as an inspiration for the betterment and progress of the company. It will remain committed in providing the members with quality products and services that will meet their needs and expectations and a steady source of financial protection for public safety practitioners.

Corporate Governance Report

Guided by the core values of Loyalty, Ethics, Accountability and Integrity, Professionalism, and Service Excellence, the Public Safety Mutual Benefit Fund, Inc. remains committed to abide by the standards of corporate governance.

2017 ASEAN CORPORATE GOVERNANCE SCORECARD

In compliance with the IC Circular Letter No. 14 – 2013 and No. 2015 - 23, PSMBFI annually submits its Corporate Governance Scorecard. The 2017 ACGS Company report for PSMBFI by the Institute of Corporate Directors show that the Association performed above the average score of insurance companies and MBAs.

The Governance Scorecard Report identified the following strengths and improvements from the previous year:

1. There was a disclosure on policy regarding supplier selection, as well as other activities in the year of procedures regarding Supplier selection, Environmentally-friendly value chain, and Community Interaction.
2. The policy on employee training was disclosed and data on the implementation of employee welfare policies was published.
3. The procedures for complaints regarding illegal and unethical behavior were made available on the company website.
4. Disclosure of key risks, financial and non-financial performance indicators, complete director profiles, and board meeting attendance among others on the Annual Report.
5. The Nomination, Remuneration and Audit Committees were in place with each committee met the recommended number of meetings. The Board met at least 6 times in the year as well.
6. Disclosure of information on the internal control procedures or risk management system.

RIGHTS AND EQUITABLE TREATMENT OF MEMBERS

The PSMBFI By-laws expressly provides that members of PSMBFI has the right to vote in person or by proxy and be voted for as member of the Board of Trustees, a right exercised during the annual General Membership Meeting and Election (GMME).

For the year 2017, the GMME was held on April 22, 2017 at the Multi-Purpose Center of Camp Crame, the National Headquarters of the Philippine National Police from which sector composes the majority of the PSMBFI membership. In compliance

with the By-laws, written notices of the GMME were sent to the members not later than 30 days before the GMME to formally inform them of the activity. Same notice was also published in Manila Bulletin, Philippine Star, People's Tonight, and Philippine Daily Inquirer.

The 2017 GMME was presided over by the Chairman himself, and attended by all the members of the Board of Trustees and Corporate Officers of the Board, except for Dir Leonardo Espina and Dir Cedrick Train.

The election proceeding was presided over by the Committee on Election chaired by Atty Rizalina V Lumbera. The COMELEC was created not later than 60 days before the GMME which is in accordance with the PSMBFI By-Laws. This year as in the previous years, an automated election and canvassing system was used to cast and count the votes. The voting and canvassing guidelines was provided to all attendees of the GMME and further explained by the COMELEC Chairperson before the election proper.

Sections 13 & 14 of Article 9 of the revised PSMBFI By-Laws provides that the fifteen members of the Board of Trustees will have a term of office that shall be interlocking for two (2) years. For the GMME 2017, seven (7) seats shall be elected into position for the term 2017-2019. The COMELEC then declared the duly elected members of the PSMBFI Board of Trustees as follows:

DIRECTORS	AGE (Upon Election)	DATE OF FIRST APPOINTMENT
MARIO A AVENIDO	59	27 February 2013
RICARDO C MARQUEZ	56	25 August 2015
JOAQUIN R ALVA	50	22 April 2017
JOHN Q SOSITO	55	22 April 2017
KEITH ERNALD SINGIAN	55	22 April 2017
JUANITO B VAÑO JR	56	18 April 2015
VALFRIE G TABIAN	56	22 April 2017

In addition to electing the new BOT, the general membership has the right to decide and question the acts of the Board and the Management through the ratification of the resolutions passed by the Board which was presented for approval. The Chairman invited questions from the General Membership which the PSMBFI Board and Management addressed.

BOARD PROCESS

There are 15 members of the Board who shall have a term of office that shall be interlocking for two (2) years. Hence every year, half of the members of the Board of Trustees are replaced through the General Membership Meeting and Election (GMME). The GMME for the year 2017 was conducted on April 22 where seven (7) new members were elected for a term of two (2) years, after having been nominated on the floor by the general membership. None of the members of the Board of Trustees are seating in other boards nor have conflicts of interest.

Out of 15 members of the Board, seven (7) of the current members are active in the PNP, and eight (8) are non-active. Two (2) of the elected Board act as independent directors and two (2) holds executive positions. The diverse educational background of the Board of Trustees and the positions they have held in their career as officers in the PNP enables them to exercise good leadership.

The Board meetings are held on a monthly basis however, special meetings are scheduled as necessary for exigent matters. Schedule of meetings for the succeeding month is confirmed during the regular board meeting, and notices of meetings are sent through electronic mail to each member of the board. Relevant information materials with respect to the meeting agenda items are provided to the Board in advance through electronic mail to aid them in their decisions. The meeting proceedings are recorded accordingly.

All minutes of meetings and committee reports are in the safe-keeping of the Corporate Secretary and are available upon request of regulatory bodies, auditors and other stakeholders.

Deliberations and decisions are made during Board Meetings, and it is thus important that members of the Board are present in these meetings. Meetings of the Board and its Committees are held monthly or as often as necessary.

The Board held 12 regular meetings and 3 special meetings in 2017 and the percentage of attendance of each member of the board is shown below:

REGULAR & SPECIAL BOARD		
NAME OF DIRECTOR	POSITION	PERCENTAGE ATTENDANCE
RONALD DELA ROSA	Chairman	13%
ARCHIE FRANCISCO GAMBOA	Vice Chairman	79%
MARIO AVENIDO	President	100%
ARMANDO RAMOLETE	Vice President	87%
LYNDON CUBOS	Corporate Treasurer	73%
FELIPE MOQUIALA	Assistant Treasurer	82%
RICARDO MARQUEZ	Member	93%
JUANITO VAÑO JR	Member	87%
RENE ASPERA	Member	22%
KEITH ERNALD SINGIAN	Member	100%
VALFRIE TABIAN	Member	18%
JOAQUIN ALVA	Member	91%
JOHN SOSITO	Member	64%
LYNETTE TADEO	Member	100%
JUANITO DIMACULANGAN	Member	100%
NAPOLEON TAAS	Corporate Auditor	73%
MATTHEW BACCAY	Corporate Secretary	93%

Issues of concern are discussed in the Committee level before these are elevated for approval of the Board.



Risk and Audit Committee

The Risk and Audit Committee assists the Board in fulfilling its oversight responsibility relating to risk management systems; in overseeing the Company's financial reporting, internal control structure, and the internal and external audit functions; in overseeing its fund management functions; in complying with legal and regulatory matters; reviews the adequacy of the Company's risk management framework/process; and reviews the results of the annual risk assessment.

For this purpose, the Committee held 11 regular meetings for the year and the percentage of attendance of each member of the board is shown below:

RISK & AUDIT COMMITTEE		
NAME OF DIRECTOR	POSITION	PERCENTAGE ATTENDANCE
JUANITO VAÑO JR	Chairman	100%
KEITH ERNALD SINGIAN	Vice Chairman	86%
RICARDO MARQUEZ	Member	100%
LYNDON CUBOS	Member	82%
JOHN SOSITO	Member	86%
LYNETTE TADEO	Member	67%
NAPOLEON TAAS	Member	18%
MATTHEW BACCAY	Corporate Secretary	56%

The Committee evaluated recommendations with respect to the investment of the Association for the year and secured approval of the Board for the investment in corporate bonds issued by San Miguel Corporation and Ayala Corporation; Long Term Negotiable Certificate of Deposit (LTNCD) issued by Philippine National Bank and Bank of the Philippine Islands; and the investment through an Investment Management Agreement with Banco de Oro.

As the Committee primarily responsible to recommend the approval as well as the removal of the external auditor to the Board of Trustees, the Committee recommended the engagement of Isla Lipana and Co. as the external auditor of PSMBFI for 2017.

Governance Committee

The Governance Committee provides for the Board's effectiveness and continuing development, and assists the Board in all matters relating to corporate governance and in making recommendations on matters pertaining to corporate governance policies and practices, director nomination, director compensation, organizational structure, screening and remuneration, and review of by-laws and other policies among others.

The Committee held 11 regular meetings for the year and the percentage of attendance of each member of the board is shown below:

GOVERNANCE COMMITTEE		
NAME OF DIRECTOR	POSITION	PERCENTAGE ATTENDANCE
RICARDO MARQUEZ	Chairman	91%
VALFRIE TABIAN	Vice Chairman	57%
MARIO AVENIDO	Member	86%
JOAQUIN ALVA	Member	86%
FELIPE MOQUIALA	Member	100%
JUANITO VAÑO JR	Member	100%
JUANITO DIMACULANGAN	Member	100%
NAPOLEON TAAS	Member	27%
MATTHEW BACCAY	Corporate Secretary	67%

For the year 2017, the Committee endorsed to the Board and obtained the approval for the amendments in the organizational structure of the Office of the Corporate Secretary, Marketing and Accounting Departments; Workplace health policies specifically on Tuberculosis, Hepatitis B, and HIV/AIDS; engagement of Asian Actuaries and Insurance Agency as the retained actuary of PSMBFI; the hiring and regularization of department heads for the Accounting, Administration, Corporate Planning Departments; and the amendment in Recruitment and Placement Policy and the Employee Promotions Policy.



Membership Committee

The Membership Committee assists the Board on all matters relating to membership such as but not limited to expansion, recruitment, retention and renewal. The Committee ensures that the needs of the members are met through the benefits and services of PSMBFI. There were 11 regular meetings for the year and the percentage of attendance of each member of the board is shown below:

MEMBERSHIP COMMITTEE		
NAME OF DIRECTOR	POSITION	PERCENTAGE ATTENDANCE
RENE ASPERA	Chairman	86%
JOHN SOSITO	Vice Chairman	86%
ARMANDO RAMOLETE	Member	73%
JUANITO DIMACULANGAN	Member	91%
JOAQUIN ALVA	Member	71%
FELIPE MOQUIALA	Member	100%
MATTHEW BACCAY	Corporate Secretary	89%

Information Technology (I.T.) Committee

The I.T. Committee was created to assist the Board in the evaluation and/or supervision of IT-related activities to ensure that the functions, objectives, and processes of the Company are carried out. There were 11 regular meetings for the year and the percentage of attendance of each member of the board is shown below:

IT COMMITTEE		
NAME OF DIRECTOR	POSITION	PERCENTAGE ATTENDANCE
LYNDON CUBOS	Chairman	91%
LYNETTE TADEO	Vice Chairman	67%
NAPOLEON TAAS	Member	64%
ARMANDO RAMOLETE	Member	71%
RENE ASPERA	Member	57%
KEITH ERNALD SINGIAN	Member	100%
VALFRIE TABIAN	Member	57%
MATTHEW BACCAY	Corporate Secretary	78%

For the year 2017, the Committee secured the approval of the Board for the institution of the Network Monitoring System of PSMBFI.

Project Management Group

In 2017, a Project Management Group was created to oversee the expansion project of the Association through the construction of PSMBFI regional offices.

CONTINUING EDUCATION

The members of the Board attended an orientation on the PSMBFI operations as a refresher course while the newly elected BOT were required to attend additional orientation program for thorough appreciation of the PSMBFI products, services, operations, and Board responsibilities. Furthermore, members of the Board attended the Corporate Governance Orientation Program by the Institute of Corporate Directors, the Annual Convention of the Institute of Internal Auditors-Philippines, and the Strategic Business Economics Program by the University of Asia and the Pacific. The Corporate Secretary, Atty Matthew P Baccay, also attended the Mandatory Continuing Legal Education by the UP Law Center as well as the Corporate Housekeeping Seminar by the Center for Global Best Practices.

RESPONSIBILITIES OF THE BOARD

The PSMBFI Board of Trustees exercises all the powers granted by the Corporation Code of the Philippines, PSMBFI by-laws, and all other relevant regulations and internal policies of the Association.

The Board of Directors is responsible for providing independent oversight of the management of the business and affairs of the Association including the assessment of whether the operations are being conducted in a prudent manner, in compliance with legal and regulatory requirements.

Every year, a Strategic Planning conference is held for the Board and the Management to review the current strategic plans and institute new initiatives based on the current and projected market environment. As these corporate strategic plans and strategic initiatives are approved by the Board, it is also responsible in its implementation and monitoring.

COMPLIANCE TO REGULATORY BODIES

PSMBFI conforms to the rules and regulations of the Insurance Commission (IC), the Bureau of Internal Revenue (BIR), and the Securities and Exchange Commission (SEC).

PSMBFI CODE OF DISCIPLINE

The PSMBFI Code of Discipline was created to establish guidelines for the enforcement of PSMBFI policies and to guide Management in imposing the appropriate disciplinary measures for the infractions committed. This should also inform employees of the prohibited actions and the range of possible disciplinary actions. The Code of Discipline ensures that all personnel act with utmost professionalism at all times.

EMPLOYEES WELFARE

To improve employee productivity and improve industrial relations, PSMBFI ensures a safe and healthy work environment to all employees.



Annual physical examination is conducted for all employees and hospitalization and medical assistance benefits are provided in support of their health concerns. Management instituted a 5-minute exercise in the morning and afternoon requiring all employees to get active. Also a quarterly building-wide fire and earthquake drill is being conducted to instill among the personnel the proper response in cases of emergency and to continually improve the evacuation plan of the company.

On the matter of trainings and seminars, product orientation is conducted every year for all employees to keep them abreast with the new products and the improvements with existing ones. The Human Resource Department rolled out in-house trainings throughout the year some of which were Communication Excellence Workshop, Orientation on the 2016 Revised Implementing Rules and Regulations of R.A. 9160: Anti Money Laundering Act, Effective Communication for Leaders, Performance Management Workshop Contingency Planning Seminar, Standard First Aid Training, Inter-Team Development Program : the Kitchen Challenge, and Salesmanship Training.

In addition, employees are endorsed to public seminars for continuous knowledge and skills enhancement. The enrollment of employees in public seminars is guided by the Policy Guidelines on Company-Funded Training and Seminars (OPP 02-0801). For the year, various employees attended the following: 12 seminars on finance, accounting and audit; 10 IT related seminars; 5 administrative related seminars; 9 seminars on human resource; and 3 seminars on business processes.



TOP MANAGEMENT AND SUPPORT OFFICES

OFFICE OF THE PRESIDENT, VICE PRESIDENT, AND GENERAL MANAGER

Work to come up with strategic plans, policies, and procedures that will ensure the smooth flow of business operations, the company's growth and stability to provide members with better service and more benefits.

OFFICE OF THE INTERNAL AUDITOR

Responsible for the soundness of the internal control system and the safeguarding of company assets. The OIA is the departmental arm of the Risk and Audit Committee.

OFFICE OF THE LEGAL OFFICER

Anticipates and reduces the risk and exposure of the company from any unreasonable and unjustified claims. The department also protects the company against all claims.

BOARD SECRETARIAT

Provides administrative support to the Board of Trustees. The Secretariat also keeps all records and minutes of the meetings and ensures its confidentiality.

CORPORATE SERVICES GROUP

ADMINISTRATION DEPARTMENT

Provides administrative and logistical support to all departments in order to attain the common goal of providing the best services to our members. It also manages the PSMBFI building and all other real estate concerns of the company and ensures that all records and documents are adequately protected and maintained.

INFORMATION TECHNOLOGY DEPARTMENT

Develops and maintains an information asset available for utilization in the fields of decision-making, operations, and finance, in compliance with external regulatory requirements.

HUMAN RESOURCE DEPARTMENT

Ensures organizational soundness and company-wide operational efficiency through the maintenance of an effective and productive workforce in a customer-oriented work environment.

CORPORATE PLANNING DEPARTMENT

Consolidates and analyzes data which are vital to company operations and generates reports that provide valuable support in policy formulation, likewise reinforcing sound management decision-making and strategic action.



OPERATIONS GROUP

INSURANCE DEPARTMENT

Designs, develops, administers and maintains insurance products and benefits relative to the requirements of our members, in accordance with the regulations of the Insurance Commission.

MARKETING DEPARTMENT

Plays a major role in providing frontline services to all PSMBFI members. The department is responsible in communicating and promoting all the benefits and services of the company. It also ensures that the Regional Extension Offices nationwide efficiently serve all members assigned in the regions and provinces.

REGIONAL EXTENSION OFFICES

Provide frontline services and assistance to members in the regions. Regional Officers manage these offices while Field Officers are regularly deployed to extend the company's services in the provinces.

ONE-STOP SHOP CLES

Provides ease of access to PSMBFI members and ensures prompt processing of transactions in their availment of the various services and products offered by the company.

FINANCE GROUP

TREASURY DEPARTMENT

Collects remittances and manages the company's current account funds. The department deals with cash receipts, disbursements and electronic banking transactions.

ACCOUNTING DEPARTMENT

Maintains the company's books of accounts. The department generates timely and reliable financial statements in accordance with Philippine Financial Reporting Standards and Practices applicable to insurance accounting principles.

INVESTMENT DEPARTMENT

Develops and manages investment activities of the company based on the policies and approved guidelines of the Insurance Commission.

ACCOUNTS MANAGEMENT DEPARTMENT

Establishes and implements a well-defined billing and collection system relative to the business transactions of the company. The department also maintains subsidiary ledgers of members' accounts.

Promotional Activities

Sponsorships
Activity Support (Partner Agencies)



Information Campaigns

Information and Membership Drives
Courtesy Calls
Office Swarming Activities



20 Strategic

New Market

Land Transportation Office



PNPOLC LEARNING CENTER

Corporate Social Responsibility

- Financial Assistance
- Calamity Aid for Members
- Partner Agency Support
- Gift Giving
- Pamaskong Handog



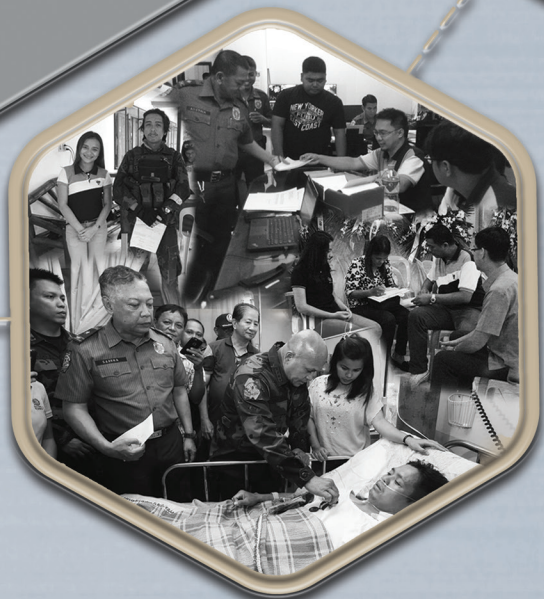
Financial Literacy Program

- Financial Literacy Lectures
- Lectures for Retirees

Distribution of Benefits

- Life Insurance
- Burial Assistance
- Killed-in-Action
- Wounded-in-Action
- Accident Hospitalization
- Accident Disablement
- Equity Value
- Members' Experience Refund
- Members' Benefit from the Interest of the Equity Value

17 Priorities



Saved^{by} a miracle

PCINSP RONALDO M LUMACTOD JR

In a police operation conducted by the PNP Anti-Kidnapping Group to rescue a kidnapped victim last December 23, 2017, PSupt Arthur Masunsong was killed in action and PCInsp Ronaldo Lumactod Jr, was wounded when suspects open fired at a close fight encounter that transpired at Angat, Bulacan. Both being PSMBFI members, their insurance benefits were immediately processed. The Wounded-in-Action Benefit was received by PCInsp Lumactod.

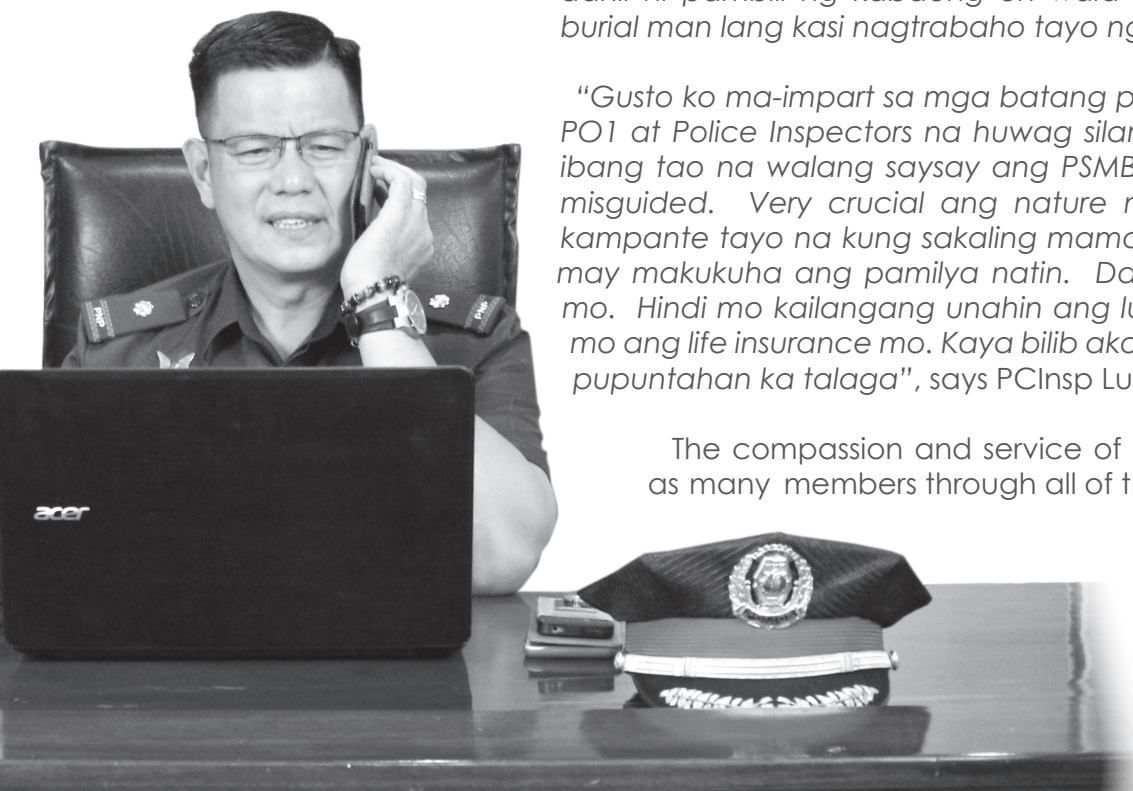
The police officer recalls the scenarios that transpired moments after he was shot during the encounter. *"Yung bala ng kidnapper eh dumaan sa may edge ng ammunition vest ko kaya hindi ako napuruhan. Pero hawak ko pa rin ang armalite ko at nakipagpalitan ng putok sa mga kidnappers kahit manhid na ang pakiramdam ko at ramdam ko na ang mainit na dugo na umaagos."*

As he was recuperating at the hospital, PCInsp Lumactod received the initial PSMBFI wounded-in-action benefit check last December 26, 2017. *"Ang PSMBFI pa ang nagpunta sa akin just to comfort me. Ni walang nagpunta na ibang insurance provider sa akin kundi PSMBFI lang."*

PCInsp Lumactod takes pride of being a member of PSMBFI. *"Naniniwala ako sa wisdom ng mga leaders namin before na ang PSMBFI ang makakatulong sa amin na mga members immediately right after the crisis or encounter. Kaya hindi ko kailanman naisip magpaterminate sa PSMBFI. Doon sa nangyari sa akin, na-realize ko na dapat ang bawat pulis at ang mga bagong pulis ay required kumuha ng life insurance, lalong lalo na dito sa PSMBFI. Mas mabuti nang maging handa kaysa mamatay ka na nakabalot lamang sa kumot ang katawan mo dahil ni pambili ng kabaong eh wala ka. Kailangan may decent burial man lang kasi nagtrabaho tayo ng ganap para sa bayan."*

"Gusto ko ma-impart sa mga batang pulis, lalo na sa mga bagong PO1 at Police Inspectors na huwag silang maniwala sa sinasabi ng ibang tao na walang saysay ang PSMBFI. Huwag kayong maging misguided. Very crucial ang nature ng trabaho natin at dapat kampante tayo na kung sakaling mamatay o maaksidente tayo ay may makukuha ang pamilya natin. Dapat mo isecure ang buhay mo. Hindi mo kailangang unahin ang luho mo kundi dapat unahin mo ang life insurance mo. Kaya bilib ako sa PSMBFI na tumutulong at pupuntahan ka talaga", says PCInsp Lumactod.

The compassion and service of PSMBFI will continue to help as many members through all of their difficult times.



Love triumphs over death



PSUPT ARTHUR O MASUNGSONG

PSupt Arthur Masungson of the PNP Anti-Kidnapping Group was killed in a clash with heavily-armed kidnapers a few days before Christmas in Angat, Bulacan as he led his men during a rescue operation. The mission was a success, with PSupt Masungson sacrificing his life.

Mrs. Bernadeth Masungson recalls how her loving husband PSupt Masungson went home on Friday nights to spend the weekend with his family. *"Napakabait na ama ni Art. Sobrang lambing pero istrikto. Pero ayaw niyang nakikita ng mga anak niya na nagagalit siya."*

On December 22, 2017 came a call instructing her husband to report for work *"Umaga nang tinawagan siya ng hepe ng Biñan. Kidnapping incident daw. Ayun may ransom na at pay off na raw. Kaya nagmamadali siyang umalis pero babalik din daw siya ng hapon. Nagtaka lang ako kasi bumaba siya ng sasakyan at nag-iwan ng budget at pamasko para sa biyenan at parents ko. Hanggang nasa Crame na siya ay magkatext pa kami."*

The team of PSupt Masungson set up an entrapment operation last December 23, 2017 and they were to meet the suspects in Balagtas, Bulacan until the suspects diverted them to Angat town. While on their way to save the kidnapped victim, the suspects chanced upon the PNP-AKG vehicles that resulted to an exchange of fire between the kidnapers and the police.

That same day, Mrs. Masungson received an emergency call from a classmate of her husband. *"Sabi nagkaproblema si Art at kung pwede ay pumunta ako sa Crame. Habang nasa daan ay ang lakas ng kutob ko na may nangyari sa kanya. Sa Crame eh sinabi nila sa akin na 'mam ganyan talaga ang buhay ng pulis'. Hinintay ko dumating ang katawan niya hanggang sa nakita ko na lang na nakatakip ng kumot ito at hindi ko maipaliwanag ang naramdaman ko. Niyakap ko siya at bigla umagos ang dugo sa katawan niya."*

During her trying times, Mrs. Masungson received the cash advance of the PSMBFI insurance benefit. *"Pag-uwi namin dito sa Cavite ay nagpunta ang mga taga-PSMBFI. Inihatid nila ang partial death claim sa amin at wala pang one month ay nakuha ko na ang full insurance. Biro nga ni Art dati, kung mawawala siya ay hindi namin daw siya poproblemahin."*

"Bilang housewife ay malaking tulong sa amin ang life insurance. Masakit mawalan pero mas masakit ang mawalan na nga ay namomroblema ka pa. Bawas isipin na hindi na kami mamomroblema sa pera. Si Arthur ay maraming kinuhang life insurance pero ang PSMBFI ang kusang lumapit sa akin, unlike sa iba na walang lumapit at ako pa ang pupunta sa kanila", says Mrs. Masungson.

She also has this advise to those in the police service. *"Hindi ninyo hawak ang buhay dahil sa trabaho ninyo. Isecure ninyo ang family ninyo. Kung sakaling dumating ang hindi inaasahang pangyayari eh secured ang pamilya ninyo. Sa case ko, malaking tulong ang nakuha ko sa PSMBFI."*

Police widows such as Mrs. Masungson will have to remain strong in the face of life's challenges, as heads of households with childcare responsibilities. Through the insurance benefit they received from PSMBFI, they will have enough means to move on with their lives.





My father, the héro

PINS P EDWIN V PLACIDO

The Maute group laid siege on Marawi City last May 23, 2017, prompting President Rodrigo Duterte to place Mindanao under martial law. This raged for nearly five months leaving the city in ruins with its residents displaced and thousands of civilians dead including soldiers, policemen, and terrorists.

Among those who sacrificed their lives for Marawi's freedom was PInsp Edwin Placido who served as deputy police chief of Marawi City. The gallantry and heroism of PInsp Placido in performing his mandate to serve the people and secure the city made him a hero to many. While in the eyes of his family, especially his daughter Ariane, he was simply a loving father.

"Matapang talaga ang tatay ko. Kahit anong oras yan, kahit delikado, he goes out of his way para tumulong. Kaya feeling ko, mas gusto pa niyang ganoon ang mangyari sa kanya kesa mamatay sa bahay lang na tahimik", says Ariane.

The good daughter recalls the day he learned the fate of his father. "Noong araw na iyon, hindi na siya ma-contact ng nanay ko. Tapos ay may tumawag na ang nanay ko ay nasa Camp Crame at sumunod daw ako. Nawawala raw si Papa pero hindi pa naman confirmed kung isa siya sa namatay kasi magulo pa. Pagkatapos ay may pinakitang memo na killed-in-action siya. Wala namang nagkwento kung ano talaga nangyari, at uuwe pala siya na ilang pirasong buto na lang."

"Hanggang ngayon ay masakit pa rin. Pero proud kami kasi ang tatay namin ay namatay na hero. Marami ang nagbibigay ng tulong sa mga Marawi heroes, pero ang PSMBFI ang pinaka-unang nakapagbigay ng cash advance ng insurance claim na konti lang ang hiningi na requirements. Special case pa nga ang sa tatay ko kasi wala pang death certificate at wala ring wake. Ilang buwan pa ang lumipas bago namin siya nakuha at buto na nang naiuwi sa amin. Ang laking tulong ng PSMBFI at naipagawa namin ang bahay, kaya pagdating ng labi ni tatay ay naiburol siya ng maayos."

PInsp Placido sacrificed his life for the people of Marawi, and he will live on through the memory of his loved ones. His legacy will continue through the bravery of other police officers who fight crime and terrorism without fear so peace will be achieved.





NATIONAL POLICE COMMISSION

On behalf of the National Police Commission (NAPOLCOM), I salute the officials and members of the Public Safety Mutual Benefit Fund, Inc. (PSMBFI) for your achievements and accomplishments for the year 2017.

I would like to congratulate the competent, committed, trustworthy and service-oriented personnel behind the attainment of the PSMBFI's goals this year. The Association's continued efforts and innovative plans have catered to the demands of providing exceptional service to the needs of the public safety practitioners and their families giving utmost value to their sacrifices as protectors of the citizenry.

The PSMBFI has been in the forefront of not only providing life insurance, financial and other monetary benefits, but also aims at helping all its members to achieve financial literacy.

With the growth and stability of PSMBFI, we hope that your unwavering commitment would give efficient and sustainable benefits and services in promoting the morale and ensuring the welfare of all your members.

Congratulations and God bless us all.

ATTY. ROGELIO T. CASURAO
Commissioner
Vice-Chairman and Executive Officer



BUREAU OF FIRE PROTECTION

Foremost, I would like to congratulate the Public Safety Mutual Benefit Fund, Inc. for holding its annual General Membership Meeting and Election. We are proud to recognize PSMBFI as a partner agency in looking after the welfare of our personnel by providing them with life insurance.

Our firefighters, though trained to prevent and suppress destructive fires, are also committed to respond to disasters and emergencies, conduct retrieval operations, save lives and properties, as they are likewise exposed to chemical leakages and explosive incidents. More than ever, we need a reliable life insurance provider to secure the future of their families when the inevitable happens.

We are elated to have PSMBFI by our side as the BFP continues building on its competencies, pursuing its mandate, and boosting its capacity. Hence, we wish PSMBFI all the best as you continue to satisfy the needs of your members by providing them good service and innovative insurance products that are tailored-fit for the public safety practitioners.

FIRE DIRECTOR LEONARD R BAÑAGO
Chief



OFFICE FOR TRANSPORTATION SECURITY

Over the last fourteen years since its inception, the Office for Transportation Security has been constantly confronted with challenges on multiple fronts. Our adversaries have continued to evolve just as we advocate for a more robust transport security that safeguards the rights of the Filipino people to a **safe, secure and comfortable travel**. Despite great geographical dispersion, the OTS remains committed to its noble mission and mandate to ensure the security of the transportation system – encompassing the civil aviation, maritime, land and rail sectors - which is an indispensable backbone to the rising economy under the current administration.

Similarly, we remain steadfast in our commitment to support programs that cater to the welfare of our personnel who work valiantly in a perilous environment compounded with security threats and unlawful acts.

Indeed, we are proud and privileged to have the Public Safety Mutual Benefit Fund, Inc. as our partner in alleviating and elevating the economic condition of our personnel through insurance protection, financial and materials assistance to our personnel.

To that end, we affirm our unwavering support to your future programs, and salute to the efforts and diligence of the men and women behind the PSMBFI.

Congratulations and mabuhay po kayo!



USEC. ARTURO M. EVANGELISTA
Administrator



PHILIPPINE NATIONAL POLICE ACADEMY

The Public Safety Mutual Benefit Fund, Inc. was established to provide insurance protection, financial assistance and material benefit to Public Safety Practitioners.

It offers financial literacy and planning to its members, which is necessary to make responsible financial decisions which are essential to every member of the Cadet Corps of Philippine National Police Academy. PSMBFI helps promote the culture of saving among Cadets and motivate the growth of enterprise that results in profitable opportunities.

PSMBFI enables members to secure financial stability and increases the value of long-term financial planning for personal agenda and overcome daily difficulties in life.

As the Director of PNPA, I will look forward to a strong relationship of strengthening ability of every civil servant for a prosperous future they rightfully deserve.


PCSUPT JOSEPH CAGAYAN ADNOL
Director



PHILIPPINE COAST GUARD

On behalf of the Philippine Coast Guard, I would like to extend my warmest greetings to the men and women of the Public Safety Mutual Benefit Fund, Inc. for your untiring commitment in securing the future of government workers particularly those involved in the public safety sector.

Your years of dedicated service to your members have enabled them to sleep soundly thinking that they have a reliable partner to whom they can entrust their future. The timely financial and material aid that you provided to your stakeholders have served as a great motivation for them to deliver a more effective and efficient service to the people, in line with the government's thrust of good public governance.

May your core values of Loyalty, Ethics, Accountability and Integrity, Professionalism, and Service Excellence continue to resonate to each and every employee of your organization as you look forward to another year of fruitful service. Thank you and Mabuhay!


ADM ELSON E HERMOGINO
Commandant



NATIONAL MAPPING AND RESOURCE INFORMATION AUTHORITY

On behalf of the National Mapping and Resource Information Authority (NAMRIA), I would like to extend my warmest greetings to the Public Safety Mutual Benefit Fund, Inc. I deeply commend your efforts in providing insurance protection and financial assistance to your members composed of uniformed and civilian personnel.

With our 30 years of vast experience and skills as the central mapping agency of the Philippines, we are tasked to provide the public with mapmaking services and are a source of natural resources data in the form of maps, charts, texts, and statistics. As another year begins, let us continue to do our work with the goal of excellence to benefit the Filipino people.

Thank you and more success in the years ahead.

DR. PETER N. TIANGCO, CESO I
Administrator



METROPOLITAN MANILA DEVELOPMENT AUTHORITY

On behalf of the Metropolitan Manila Development Authority, I would like to congratulate the Public Safety Mutual Benefit Fund, Inc. for providing our employees with insurance protection and the privilege to avail of credit facilities that will help them during difficult times.

The job that we have in MMDA has its share of risks as we strive to make the metropolis more livable and vibrant. We are grateful that PSMBFI has given our employees the security they deserve, recognizing the risks they encounter in the performance of their duty which sometimes lead to the loss of life and limb.

The life insurance provided by PSMBFI to its members guarantees financial support in times of uncertainties, helps eradicate the fear of sudden loss, and provides peace of mind.

Thank you PSMBFI for being a partner in caring for the welfare of MMDA employees. More power!

DANILO DELAPUZ LIM
Chairman



PHILIPPINE PUBLIC SAFETY COLLEGE

My warmest greetings and congratulations to the men and women of the Public Safety Mutual Benefit Fund, Inc. (PSMBFI) for the publication of its 2017 Annual Report.

The PSMBFI has always been one of the most active partners of the Philippine Public Safety College (PPSC). In more than a number of occasions, the association has manifested their support not only to the PPSC but along with its constitutive units and Regional Training Centers (RTCs) through various donations and collaborations.

This report is a manifestation of PSMBFI's commitment to continuously become a progressive and stable mutual benefit association that responds to the needs of its members from different government institutions.

I hope that what you have achieved for 2017 will further inspire your association to render more effective services to your members. Rest assured that the PPSC will continue to remain a staunch ally of the PSMBFI in extending assistance to the community.

More power to PSMBFI!


PDDG RICARDO F. DE LEON, (Ret.) Ph.D
President



DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Greetings from Forestry Relief and Welfare Association Inc. (FRAWAI)!

It is our pleasure to impart to you the appreciation of FRAWAI on our partnership in offering additional services and benefits to our members. We are glad that despite some challenges in making them fully appreciate the value of enrolling in PSMBFI, you aggressively continue your drive for membership which is gaining headway.

We are hoping for PSMBFI's continued success and stability as we look forward to a stronger partnership with you.

More power!


JOSE C. CABANAYAN, JR.
Chairman/President
Forestry Relief and Welfare Association, Inc.



BUREAU OF IMMIGRATION

The Bureau of Immigration sends its warmest greetings to the officers and members of the Public Safety Mutual Benefit Fund, Inc. on the occasion of your General Membership Meeting and Election.

We are hopeful that the gains and innovations that have marked the last year will bring not only improved performance across the organization but also timely and relevant service delivery for your many constituents and clientele.

With perseverance, commitment and teamwork, the challenges of 2018 and the years to come will strengthen your service and enhance value for the long-term.

May 2018 be a year of productivity and solidarity, for the good of the members and the PSMBFI. Mabuhay!



JAIME H MORENTE
Commissioner



LAND TRANSPORTATION OFFICE

My warmest greetings to the officers and members of the Public Safety Mutual Benefit Fund, Inc. (PSMBFI) as you hold your General Membership Meeting and Election (GMME).

The PSMBFI was established in 1997 to prepare and assist members in times of financial challenges, be they uniformed or non-uniformed public safety practitioners. Twenty (20) years after, the Association has grown to be one of the biggest, trusted and most effective mutual benefit fund associations in the country.

Your Annual Report reflects the company's current financial condition. It is a testimony of the financial prudence and wisdom, as well as the level of transparency being practiced by its leadership.

I am positive that by holding on to its core values – Loyalty, Ethics, Accountability and Integrity, Professionalism, and Service Excellence – PSMBFI will be able to achieve its vision as a progressive and stable association, extending benefits and services responsive to the needs of its members.

Thus, I am glad that the PSMBFI has reached out to the Land Transportation Office (LTO) to invite our personnel to join as members.

As a new organization, the LTO is positive that as PSMBFI grows in member count, so will its financial wellness and sustainability so that more members may be able to benefit from its services.

Last, I share your eagerness for a fruitful meeting and successful election.

Mabuhay!


EDGAR C. GALVANTE
Assistant Secretary



PNP NON-UNIFORMED PERSONNEL AFFAIRS DIVISION

Greetings from Non-Uniformed Personnel Affairs Division (NUPAD)!

First and foremost, I would like to express my sincerest gratitude to PSMBFI for the efficient service it has provided to the Non-Uniformed Personnel of the Philippine National Police. It has been an excellent year as we continue to enjoy the immense contributions of your Association in uplifting the lives of the non-uniformed personnel.

After 19 years, NUPAD's confidence in its partnership with PSMBFI remains constant and steady as we move towards a common goal of securing the future of our employees.

Looking forward to a rewarding journey with you. God bless!


CYNTHIA S ROSALES
Chief



PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.

Statement of Management's Responsibility for Financial Statements

The management of **Public Safety and Mutual Benefit Fund, Inc.** (the "Association") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the Association's financial reporting process.

The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholder members.

Isla Lipana & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Association in accordance with Philippine Standards on Auditing and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.



DIR. RONALD M. DELA ROSA
Chairman, Board of Trustees



DIR. MARIO A. AVENIDO
President



DIR. LYNDON G. CUBOS
Treasurer

Signed this 2nd day of April 2018.

***Public Safety
Mutual Benefit Fund
Inc. (PSMBFI)***
(A Non-stock, Not-for-profit
organization)

Financial Statements

As at and for the years ended December 31, 2017 and 2016



Isla Lipana & Co.

Independent Auditor's Report

To the Board of Trustees and Members of
Public Safety Mutual Benefit Fund Inc. (PSMBFI)
No. 318 - 320 Boni Serrano Avenue
Corner 1st and 2nd West Streets
San Juan City, Philippines

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, except for the possible effects of the matters described below, the accompanying financial statements present fairly, in all material respects, the financial position of Public Safety Mutual Benefit Fund Inc. (PSMBFI) (the "Association") as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Association comprise:

- the statements of financial position as at December 31, 2017 and 2016;
- the statements of total comprehensive income for the years ended December 31, 2017 and 2016;
- the statements of changes in fund balance for the years ended December 31, 2017 and 2016;
- the statements of cash flows for the years ended December 31, 2017 and 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Qualified Opinion

The Association has recorded legal policy reserves with respect to all its outstanding insurance policies and contracts amounting to P195 million as at January 1, 2016. Management has engaged an actuary accredited by the Insurance Commission to compute and certify the legal policy reserves recorded in their books. Our audit, however, did not include a verification of the legal policy reserves as at January 1, 2016 due to timing and other constraints. Consequently, we were not able to verify as well the increase in legal policy reserves amounting to P55 million recognized in profit or loss for the year ended December 31, 2016. As such, we were not able to determine whether any adjustments to the said amounts were necessary. However, we have performed sufficient procedures to validate the legal policy reserves as at December 31, 2017 and 2016 amounting to P285 million and P250 million, respectively, and the related increase in legal policy reserves amounting to P35 million for the year ended December 31, 2017. The outstanding balances of the legal policy reserves as at December 31, 2017 and 2016 and the related increase in legal policy reserves for the year ended December 31, 2017 are not covered in the qualification.

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Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.



Isla Lipana & Co.

Independent Auditor's Report
To the Board of Trustees and Members of
Public Safety Mutual Benefit Fund Inc. (PSMBFI)
Page 2

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Association 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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



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

Those charged with governance are responsible for overseeing the Association'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.



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- 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 Association'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 Association'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 Association 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.



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Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 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 supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.


Ruth F. Blasco
Partner

CPA Cert. No. 112595

P.T.R. No. 0018519, issued on January 10, 2018, Makati City

SEC A.N. (individual) as general auditors 1653-A, Category A; effective until August 23, 2020

SEC A.N. (firm) as general auditors 0009-FR-4, Category A; effective until July 15, 2018

TIN 235-725-236-000

BIR A.N. 08-000745-133-2017, issued on June 8, 2017; effective until June 7, 2020

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 7, 2018

Public Safety Mutual Benefit Fund Inc. (PSMBFI)

Statements of Financial Position
December 31, 2017 and 2016
(All amounts in Philippine Peso)

	Notes	2017	2016
<u>ASSETS</u>			
Cash and cash equivalents	2	2,517,545,083	4,248,245,966
Insurance receivables, net	3	14,601,472	14,976,083
Available-for-sale securities	4	183,403,565	29,383,901
Held-to-maturity securities	5	6,617,878,435	5,073,035,274
Loans and receivables, net	6	4,991,218,272	5,037,333,377
Investment property, net	7	2,814,000	560,000
Property and equipment, net	8	240,358,400	258,367,771
Other assets, net	9	12,264,121	10,625,263
Total assets		14,580,083,348	14,672,527,635
<u>LIABILITIES AND FUND BALANCE</u>			
Accounts payable and accrued expenses	10	815,847,018	902,225,299
Claims payable	11	139,819,669	144,598,104
Legal policy reserves	11	285,133,593	249,831,249
Premium deposits		123,538,287	106,122,022
Retirement benefits obligation	16	30,332,769	28,923,154
Members' contributions	12	4,750,075,583	5,720,032,448
Total liabilities		6,144,746,919	7,151,732,276
FUND BALANCE			
Retained surplus			
Appropriated	13	411,000,000	311,000,000
Unappropriated		8,072,342,820	7,230,123,535
Accumulated other comprehensive income			
Remeasurement loss on retirement benefits obligations	16	(48,065,505)	(19,712,077)
Unrealized gain on change in fair value of available-for-sale securities	4	59,114	(616,099)
Total fund balance		8,435,336,429	7,520,795,359
Total liabilities and fund balance		14,580,083,348	14,672,527,635

(The notes on pages 1 to 50 are an integral part of these financial statements.)

Public Safety Mutual Benefit Fund Inc. (PSMBFI)

Statements of Total Comprehensive Income
For the years ended December 31, 2017 and 2016
(All amounts in Philippine Peso)

	Notes	2017	2016
UNDERWRITING INCOME			
Insurance premiums		821,990,395	723,895,293
UNDERWRITING EXPENSE			
Claims expense		(231,038,483)	(251,344,124)
Increase in legal policy reserves	11	(35,302,344)	(54,849,961)
NET UNDERWRITING INCOME		555,649,568	417,701,208
INTEREST INCOME			
On loans and receivables	6	1,077,596,734	1,057,368,644
On held-to-maturity securities	5	204,536,808	191,948,810
On cash and cash equivalents	2	110,910,673	80,252,270
		1,393,044,215	1,329,569,724
INTEREST EXPENSE	10,12	(390,800,648)	(424,136,547)
NET INTEREST INCOME		1,002,243,567	905,433,177
IMPAIRMENT LOSSES	6,7	(200,070,049)	(48,668,143)
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		802,173,518	856,765,034
OTHER INCOME			
Rental income	18	5,912,392	5,658,080
Others		37,914,925	11,092,300
		43,827,317	16,750,380
INCOME BEFORE OPERATING EXPENSES		1,401,650,403	1,291,216,622
GENERAL AND ADMINISTRATIVE EXPENSES	14	(397,068,354)	(392,405,127)
INCOME BEFORE INCOME TAX		1,004,582,049	898,811,495
INCOME TAX EXPENSE - CURRENT	19	(62,362,764)	(50,114,192)
NET INCOME FOR THE YEAR		942,219,285	848,697,303
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit or loss			
Fair value of gain on available-for-sale securities	4	675,213	93,124
Item that will not be reclassified to profit or loss			
Remeasurement loss on retirement benefits obligation	16	(28,353,428)	(2,562,208)
TOTAL OTHER COMPREHENSIVE LOSS		(27,678,215)	(2,469,084)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		914,541,070	846,228,219

(The notes on pages 1 to 50 are an integral part of these financial statements.)

Public Safety Mutual Benefit Fund Inc. (PSMBFI)

Statements of Changes in Fund Balance
For the years ended December 31, 2017 and 2016
(All amounts in Philippine Peso)

	Retained surplus		Accumulated other comprehensive income		Total
	Appropriated (Note 13)	Unappropriated	Remeasurement loss on retirement benefit obligation (Note 16)	Unrealized (loss) gain on change in fair value of available-for-sale securities (Note 4)	
Balances at January 1, 2016	332,000,000	6,360,426,232	(17,149,869)	(709,223)	6,674,567,140
Release of appropriated surplus	(21,000,000)	21,000,000	-	-	-
Comprehensive income					
Net income for the year	-	848,697,303	-	-	848,697,303
Other comprehensive (loss) income	-	-	(2,562,208)	93,124	(2,469,084)
Total comprehensive income (loss) for the year	-	848,697,303	(2,562,208)	93,124	846,228,219
Balances at December 31, 2016	311,000,000	7,230,123,535	(19,712,077)	(616,099)	7,520,795,359
Appropriation of unappropriated surplus	100,000,000	(100,000,000)	-	-	-
Comprehensive income					
Net income for the year	-	942,219,285	-	-	942,219,285
Other comprehensive (loss) income	-	-	(28,353,428)	675,213	(27,678,215)
Total comprehensive income (loss) for the year	-	942,219,285	(28,353,428)	675,213	914,541,070
Balances at December 31, 2017	411,000,000	8,072,342,820	(48,065,505)	59,114	8,435,336,429

(The notes on pages 1 to 50 are an integral part of these financial statements.)

Public Safety Mutual Benefit Fund Inc. (PSMBFI)

Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(All amounts in Philippine Peso)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		1,004,582,049	898,811,495
Adjustments for:			
Interest income	2,5,6	(1,393,044,215)	(1,329,569,724)
Interest received on cash in banks and loans receivables		1,078,217,272	1,057,760,090
Interest expense	10,12	390,800,648	424,136,547
Provision for impairment losses	6,7	200,070,049	48,668,143
Write-off of loans and receivables	6	(517,439)	-
Depreciation and amortization	14	41,871,825	44,350,343
Increase in legal policy reserves	11	35,302,344	54,849,961
Retirement benefit cost	16	7,144,491	6,850,020
Amortization of discount on held-to-maturity securities	5	(1,725,638)	(2,066,288)
Net operating income before working capital changes		1,362,701,386	1,203,790,587
(Increase) decrease in:			
Insurance receivables		374,611	1,403,064
Loans and receivables		(145,529,097)	(485,108,697)
Other assets		(1,638,858)	1,541,126
Increase (decrease) in:			
Accounts payable and accrued expenses		(280,742,977)	21,318,182
Premium deposits		17,416,265	7,889,861
Claims payable		(4,778,435)	41,362,747
Net cash from operations		947,802,895	792,196,870
Final taxes paid		(62,362,764)	(50,114,192)
Contributions to the retirement fund	16	(34,522,285)	(12,612,686)
Net cash from operating activities		850,917,846	729,469,992
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		314,826,942	271,809,634
Proceeds from maturities of held-to-maturity securities	5	256,270,000	165,000,000
Additional investments in:			
Held-to-maturity securities	5	(1,799,387,523)	(1,498,803,804)
Available-for-sale securities	4	(153,344,451)	-
Property and equipment	8	(23,862,454)	(23,659,049)
Net cash from investing activities		(1,405,497,486)	(1,085,653,219)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional members' contributions	12	507,565,127	548,743,697
Refund of members' contributions	12	(1,683,686,370)	(329,866,223)
Net cash from financing activities		(1,176,121,243)	218,877,474
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,730,700,883)	(137,305,753)
CASH AND CASH EQUIVALENTS			
January 1		4,248,245,966	4,385,551,719
December 31	2	2,517,545,083	4,248,245,966

(The notes on pages 1 to 50 are an integral part of these financial statements.)

Public Safety Mutual Benefit Fund Inc. (PSMBFI)

Notes to the Financial Statements

As at and for the years ended December 31, 2017 and 2016

(All amounts are shown in Philippine Peso unless otherwise stated)

1 General information

Public Safety Mutual Benefit Fund Inc. (PSMBFI) (the "Association") was incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") as a non-stock, not-for-profit association on December 11, 1997. The Insurance Commission ("IC") granted the Association a license to transact business as a mutual benefit association on February 4, 1998, which is renewable every year.

The enactment of Republic Act (RA) 8291 or the Government Service Insurance System ("GSIS") Act of 1997 excluded the Philippine National Police ("PNP"), among other public safety practitioners from the social insurance coverage of GSIS, without providing for an alternative option. After the passage of that law, the families of deceased policemen no longer received insurance benefits. As a remedy, the PNP organized the Association that is primarily engaged in providing insurance protection, and financial and material aid to its members, which are limited to public safety practitioners as defined in the Association's By-Laws.

As a non-stock, not-for-profit entity, the Association is exempt from paying income taxes as set forth in Section 30(c) of the National Internal Revenue Code ("NIRC"). The Association, however, is subject to the corresponding internal revenue taxes under the NIRC on income derived from any of its properties, real or personal, or any activity conducted for profit regardless of the disposition thereof.

The registered office address of the Association, which is also its principal place of business, is No. 318-320 Boni Serrano Avenue, corner 1st and 2nd West Streets, San Juan City.

The accompanying financial statements were approved and authorized for issue by the Board of Trustees (the "Board") on April 2, 2018. There are no material events that occurred subsequent to April 2, 2018 until April 7, 2018.

2 Cash and cash equivalents

The account as at December 31 consists of:

	2017	2016
Cash on hand	618,000	618,000
Cash in banks	225,653,359	248,011,071
Cash equivalents	2,291,273,724	3,999,616,895
	2,517,545,083	4,248,245,966

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include deposits and placements which can be withdrawn anytime depending on the immediate cash requirements of the Association and earn interest at effective rates ranging from 1.88% to 3.50% in 2017 (2016 - 1.80% to 2.63%).

Interest income earned from cash and cash equivalents for the year ended December 31, 2017 amounts to P110,910,673 (2016 - P80,252,270).

There is no restriction in the Association's cash and cash equivalents as at December 31, 2017 and 2016.

3 Insurance receivables, net

The account as at December 31 consists of:

	2017	2016
Gross insurance receivables	61,072,515	61,447,126
Less: Allowance for impairment	(46,471,043)	(46,471,043)
	14,601,472	14,976,083

Based on the Association's assessment of the recoverability of the insurance receivables, provision for additional credit losses for the years ended December 31, 2017 and 2016 is not necessary.

4 Available-for-sale securities

Available-for-sale securities consist of investments in government securities, equity securities, unit investment trust funds and mutual funds. The movements in available-for-sale securities for the years ended are summarized as follows:

	2017	2016
Beginning balance	29,383,901	29,290,777
Acquisitions	153,344,451	-
Fair value adjustments	675,213	93,124
Ending balance	183,403,565	29,383,901

	2017	2016
Cost	183,344,451	30,000,000
Reserve for change in fair value of available-for-sale securities		
Balance, January 1	(616,099)	(709,223)
Unrealized gain for the year	675,213	93,124
Balance, December 31	59,114	(616,099)
Fair value, December 31	183,403,565	29,383,901

In 2017, the Plan entered into a trust fund agreement with Metropolitan Bank and Trust Company and BDO Unibank, Inc. - Trust and Investment Group for the administration of their investments. The Association determines the fair value of these investments based on net asset value per share as at reporting date. The unrealized gain (loss) is presented under "Other comprehensive income" section of the statement of total comprehensive income.

5 Held-to-maturity securities

Held-to-maturity securities as at December 31 mainly consist of Philippine government securities and corporate bonds as follows:

	2017	2016
Government securities		
Retail treasury bonds	935,000,000	835,000,000
Fixed treasury notes	3,787,178,435	2,554,535,274
Other government securities	-	100,000,000
	4,722,178,435	3,489,535,274
Corporate bonds	1,580,700,000	1,368,500,000
Long-term negotiable certificate of deposits	315,000,000	215,000,000
	6,617,878,435	5,073,035,274

Movements of the held-to-maturity securities for the years ended December 31 are as follows:

	2017	2016
Beginning balance	5,073,035,274	3,737,165,182
Acquisitions	1,799,387,523	1,498,803,804
Maturities	(256,270,000)	(165,000,000)
Amortization of discount	1,725,638	2,066,288
Ending balance	6,617,878,435	5,073,035,274

Government securities amounting to P25,000,000 as at December 31, 2017 and 2016 are on deposit with the Bureau of Treasury under the Registry of Scripless Securities System in accordance with the provision under Section 405 (formerly Section 392) of the Insurance Code of the Philippines, as amended under Republic Act No. 10607, "An Act Strengthening the Insurance Industry", as security for the benefit of members and creditors of the Association.

The average interest rates of the securities for the years ended December 31 are as follows:

	2017	2016
Government securities:		
Retail treasury bonds	4.69%	5.63%
Fixed treasury notes	3.63%	3.31%
Other government securities	7.75%	7.75%
Corporate bonds	5.07%	5.33%
Long-term negotiable certificate of deposits	3.71%	3.68%

Interest earned from held-to-maturity securities for the year ended December 31, 2017 amounts to P204,536,808 (2016 - P191,948,810).

(3)

6 Loans and receivables, net

The account as at December 31 consists of:

	2017	2016
Loans receivable		
Salary loans	5,007,939,579	4,250,096,926
Equity loans	585,234,015	1,195,700,254
Interest receivable	45,512,838	37,086,992
Advances to officers and employees	7,964,109	8,471,284
Others	1,556,594	1,160,174
	5,648,207,135	5,492,515,630
Less: Allowance for impairment	656,988,863	455,182,253
	4,991,218,272	5,037,333,377

Interest income earned from loans and receivables for the year ended December 31, 2017 amounts to P1,077,596,734 (2016 - P1,057,368,644).

Salary loans receivable

Salary loans are due in monthly installments ranging from one to five years with fixed nominal interest rates ranging from 9.00% to 16.00% per annum.

Equity loans receivable

Equity loans, which the members can avail up to 90.00% of the members' equity value, bear interest of 8.00% per annum and are due over a period of two years.

Interest receivable

Interest receivable pertains to interest income earned but not yet collected from the Association's held-to-maturity securities, salary and equity loans.

Allowance for impairment

The movement of allowance for impairment for the years ended December 31 follows:

	2017	2016
Balance, January 1	455,182,253	406,514,110
Provision for impairment losses	202,324,049	48,668,143
Write-off of receivables	(517,439)	-
Balance, December 31	656,988,863	455,182,253

Allowance for impairment pertains only to salary loans receivable. No impairment loss has been recognized for equity loans as the loans are fully secured by members' contributions.

(4)

7 Investment property, net

Investment property as at December 31 consists of:

	2017	2016
Cost	2,814,000	2,814,000
Accumulated impairment loss	-	(2,254,000)
	2,814,000	560,000

The fair value of the investment property as at December 31, 2017, based on the report of an independent appraiser dated March 8, 2018, is P3,640,000. The fair value of the investment property was obtained using the market data approach and is based on sales and listings of comparable properties registered within the vicinity. The fair value of the Association's investment property falls under the Level 3 category. The most significant input for purposes of estimating fair value pertains to price per square meter. The higher the price per square meter, the higher the expected fair value is.

Due to the increase in the fair value of the Association's investment property as at December 31, 2017, the Association reversed its previously recognized impairment losses amounting to P2,254,000. Reversal of accumulated impairment loss is presented as a reduction of impairment losses in the statement of total comprehensive income.

8 Property and equipment, net

Movements in the account are as follows:

	Land	Buildings and improvements	Office machine and equipment	Furniture and fixtures	Transportation equipment	Total
Cost						
January 1, 2017	36,960,381	435,557,390	152,058,310	30,775,791	33,339,226	688,691,098
Additions	-	7,681,464	14,522,138	1,658,852	-	23,862,454
Retirement	-	(163,971)	-	-	-	(163,971)
December 31, 2017	36,960,381	443,074,883	166,580,448	32,434,643	33,339,226	712,389,581
Accumulated depreciation						
January 1, 2017	-	257,209,789	128,676,751	27,903,108	16,533,679	430,323,327
Depreciation	-	18,674,004	15,889,003	1,709,986	5,598,832	41,871,825
Retirement	-	(163,971)	-	-	-	(163,971)
December 31, 2017	-	275,719,822	144,565,754	29,613,094	22,132,511	472,031,181
Cost						
January 1, 2016	36,960,381	430,562,507	139,085,036	29,563,065	32,394,810	668,565,799
Additions	-	4,994,883	12,973,274	1,212,726	4,478,166	23,659,049
Disposals	-	-	-	-	(3,533,750)	(3,533,750)
December 31, 2016	36,960,381	435,557,390	152,058,310	30,775,791	33,339,226	688,691,098
Accumulated depreciation						
January 1, 2016	-	238,592,240	110,964,047	26,294,050	14,973,367	390,823,704
Depreciation	-	18,617,549	17,712,704	1,609,058	5,094,062	43,033,373
Disposals	-	-	-	-	(3,533,750)	(3,533,750)
December 31, 2016	-	257,209,789	128,676,751	27,903,108	16,533,679	430,323,327
Carrying amount						
December 31, 2017	36,960,381	167,355,061	22,014,694	2,821,549	11,206,715	240,358,400
December 31, 2016	36,960,381	178,347,601	23,381,559	2,872,683	16,805,547	258,367,771

(6)

As at December 31, 2017, the total cost of fully-depreciated property and equipment that are still being used by the Association amounts to P280,827,010 (2016 - P210,808,628).

Depreciation expense on property and equipment for the year ended December 31, 2017 amounting to P41,871,825 (2016 - P43,033,373) is charged to general and administrative expenses (Note 14).

9 Other assets, net

The account as at December 31 consists of:

	2017	2016
Prepaid expenses	7,261,586	3,019,467
Creditable withholding tax	1,723,708	1,541,755
Office supplies inventory	1,345,882	1,331,451
Deposits to service providers	1,074,757	1,074,757
Restricted deposits	-	2,494,398
Injunction bond	-	500,000
Others	858,188	663,435
	12,264,121	10,625,263

Prepaid expenses

This account consists of prepaid real estate tax and advance payment for various expenses.

Restricted deposits

Restricted deposits include cash in bank garnished due to labor cases filed against the Association which were closed and settled in 2017.

Injunction bond

In relation to the aforementioned labor cases, the Association was also ordered by the court to post an injunction bond amounting to P500,000 in 2006. The labor cases were settled in 2017 and the injunction bond was subsequently released to the Association.

Software and program costs

As at December 31, 2017 and 2016, the integrated information system is still in use. The cost of P6,552,944 has been fully amortized as at December 31, 2016.

10 Accounts payable and accrued expenses

The account as at December 31 consists of:

	2017	2016
Payable to members	782,520,500	838,800,182
Accrued collection fees	-	26,589,319
Other accrued expenses	33,326,518	36,835,798
	815,847,018	902,225,299

Payable to members

Payable to members includes outstanding payable related to experience refund, loan overpayments, refund of equity value of terminated members, and additional interest payable within one year.

In 2017, there are no declarations and payment of additional interest on members' equity. On July 28, 2016, the Board approved the declaration and payment in cash of P33,334,964 as additional interest on members' equity since the Association has good financial standing. The interest declared by the Board is in line with the Association's intent to provide more benefits to members under the Equity Plan.

As at December 31, 2017, the outstanding payables related to experience refund distributions amount to P161,262,301 (2016 - P201,216,194).

Accrued collection fees

As an accredited entity under the PNP Automatic Deduction Scheme, the Association can collect monthly loan amortizations from the salary of concerned PNP personnel. PNP shall deduct the monthly amortization from the salary of the concerned PNP personnel and such deductions will be remitted to the Association. In consideration thereof, the Association pays PNP a service fee based on the total amount of collections.

There is no outstanding balance for accrued collection fees as at December 31, 2017.

Other accrued expenses

This account pertains to accrual of various expenses such as repairs, representation, travel, and withholding taxes.

11 Insurance contract liabilities

The reconciliation of the Association's claims payable and legal policy reserves as at December 31 is as follows:

2017

	Claims payable			Legal policy	Total
	Actual	IBNR	Total	reserves	
January 1	107,986,057	36,612,047	144,598,104	249,831,249	394,429,353
Provisions during the year	236,326,116	(5,287,633)	231,038,483	35,302,344	266,340,827
Claims during the year	(235,816,918)	-	(235,816,918)	-	(235,816,918)
December 31	108,495,255	31,324,414	139,819,669	285,133,593	424,953,262

2016

	Claims payable			Legal policy	Total
	Actual	IBNR	Total	reserves	
January 1	98,342,211	4,893,146	103,235,357	194,981,288	298,216,645
Provisions during the year	260,987,970	31,718,901	292,706,871	54,849,961	347,556,832
Claims during the year	(251,344,124)	-	(251,344,124)	-	(251,344,124)
December 31	107,986,057	36,612,047	144,598,104	249,831,249	394,429,353

Claims payable

Claims payable arises from life insurance contracts entered into by the Association with its members.

Legal policy reserves

Legal policy reserves represent the accumulated total liability for policies in force as at reporting date.

12 Members' contributions

The account as at December 31 consists of:

	2017	2016
Principal contributions	2,886,802,212	3,459,337,209
Accumulated earnings	1,863,273,371	2,260,695,239
	4,750,075,583	5,720,032,448

Members' contributions pertain to the portion of the contributions received from the Member's Benefit Equity Plan ("MBEP") and Member's Equity Plan ("MEP") which represent the member's savings in the Association. The Members' contributions are withdrawable on demand by the member.

(9)

In 2016, as part of the preparation for the 20th anniversary of the Association, the Board approved the implementation of the strategy and activities for the proposed transfer of its members' basic plan from MBEP to MEP upon election of the member. The transfer from MBEP to MEP shall entitle the member to refund the member's contribution and accumulated earnings as of date of transfer and as such, subsequent collections will be accounted for under MEP.

Features of MBEP and MEP are as follows:

	Contributions breakdown		
	Members' contribution	Insurance premiums	Interest rate
MBEP	44%	56%	12%
MEP	50%	50%	3%

Movements in the principal contributions consist of:

	2017	2016
Beginning balance	3,459,337,209	3,121,848,926
Contributions during the year	507,565,127	548,743,697
Refunds during the year	(1,080,100,124)	(211,255,414)
Ending balance	2,886,802,212	3,459,337,209

The accumulated earnings of principal contributions as at December 31 consist of:

	2017	2016
Beginning balance	2,260,695,239	1,988,534,465
Interest expense	390,800,648	390,801,583
Refunds during the year	(788,222,516)	(118,640,809)
Ending balance	1,863,273,371	2,260,695,239

13 Retained surplus

On October 30, 2012, the Board approved the appropriation of retained surplus amounting to P230 million and P46 million for mortality fund and guaranty fund, respectively.

Appropriated retained surplus for mortality fund represents the reserve for any unusual fluctuation in the mortality assumptions. The Association will determine adequacy of this appropriation on an annual basis and adjustments shall be made whenever necessary.

The remaining appropriated retained surplus amounting to P56 million represents the reserve to support the payment of the 20% administrative expense loading after a member has contributed for 20 years. In 2016, the Association released the appropriated surplus of P21 million as the required amount to be deposited as reserves for the benefit of members and creditors of the Association is only P25 million (Note 5).

On July 28, 2017, the Board approved the appropriation of P100 million for the construction of Regional Extension Office (REO) outside PNP Camps in connection to the directives of PNP to disallow private entities to maintain or lease an office inside camp premises which necessitates the immediate relocation of all REOs.

Section 408 of Republic Act No. 10607, “An Act Strengthening the Insurance Industry” further amending Presidential Decree no. 612, otherwise known as “The Insurance Code”, which was approved on August 15, 2013, provides that a mutual benefit association shall only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Excess amount shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. This amendment, however, is still subject for further interpretation. As at December 31, 2017, the IC has not yet issued a circular relating to the guidelines on the implementation of this provision.

14 General and administrative expenses

General and administrative expenses for the years ended December 31 consist of:

	Notes	2017	2016
Personnel costs	15	191,035,192	186,858,544
Depreciation and amortization	8,9	41,871,825	44,350,343
Advertising and promotion		28,344,826	30,533,201
Collection fees		26,893,898	27,004,383
Transportation and travel		23,144,918	12,956,325
Directors' fee		16,266,234	10,694,299
Supplies		9,475,320	4,729,554
Communication, light and water		9,226,812	10,827,980
Representation and entertainment		8,903,049	9,351,878
Outside services		6,426,734	9,077,370
Repairs and maintenance		3,590,465	2,614,519
Professional fees		2,522,090	3,868,728
Rent	18	1,876,062	1,899,525
Taxes and licenses		1,311,925	2,039,733
Others		26,179,004	35,598,745
		397,068,354	392,405,127

Other expenses mainly pertain to social and community expenses, general assembly meeting expenses and bank charges.

15 Personnel costs

Personnel costs for the years ended December 31 consist of:

	Note	2017	2016
Employee benefits		109,817,135	107,215,525
Salaries and wages		74,073,566	72,792,999
Retirement benefit cost	16	7,144,491	6,850,020
		191,035,192	186,858,544

16 Retirement benefits obligation

The Association has a funded defined benefit retirement plan. The Association does not participate in multi-employer plans.

The Association's plan assets are managed by a trustee bank, which is authorized to determine how the funds will be invested based on trust agreement with the objective of obtaining optimal return.

The amounts recognized in the statement of financial position at December 31 are as follows:

	2017	2016
Present value of retirement benefits obligation	92,025,190	55,434,007
Fair value of plan assets	(61,692,421)	(26,510,853)
Retirement benefits obligation	30,332,769	28,923,154

The movement in the present value of retirement benefits obligation is summarized as follows:

	2017	2016
Beginning balance	55,434,007	47,392,923
Current service cost	6,065,757	5,230,990
Interest cost	2,827,321	2,351,186
Benefits paid	(3,505,689)	(1,684,835)
Remeasurement loss	30,769,813	2,143,743
Others	433,981	-
Ending balance	92,025,190	55,434,007

Changes in the fair value of plan assets as at December 31 are as follows:

	2017	2016
Beginning balance	26,510,853	15,269,311
Actual contributions	34,522,285	12,612,686
Interest income	1,748,587	732,156
Remeasurement gain (loss) on plan assets	2,416,385	(418,465)
Benefits paid	(3,505,689)	(1,684,835)
Ending balance	61,692,421	26,510,853

The fair values of the plan assets approximate their carrying amounts as at December 31 with details as follows:

	2017	2016
Cash and cash equivalents	33,232,681	17,387,488
Financial assets measured at fair value through profit or loss	5,059,386	-
Available-for-sale securities	23,306,198	-
Interest receivable	94,156	9,123,365
	61,692,421	26,510,853

The estimated contribution of the Association on the retirement plan for the year ending December 31, 2018 is P19,654,226.

The remeasurement loss recognized in other comprehensive income follows:

	2017	2016
Remeasurement gain (loss) on plan assets	2,416,385	(418,465)
Remeasurement gain (loss) due to:		
Changes in financial assumptions	(23,548,208)	1,575,680
Changes in demographic assumptions	(68,259)	(1,505,385)
Experience adjustments	(7,153,346)	(2,214,038)
	(28,353,428)	(2,562,208)

Retirement benefit cost for the years ended December 31 is as follows:

	2017	2016
Current service cost	6,065,757	5,230,990
Net interest cost		
Interest cost	2,827,321	2,351,186
Interest income	(1,748,587)	(732,156)
Retirement benefit cost	7,144,491	6,850,020

The principal assumptions used in the actuarial valuation of the Association's retirement plan are as follows:

	2017	2016
Number of employees	277	260
Discount rate per annum	5.78%	5.32%
Salary increase rate	5.00%	2.00%

Discount rate

The discount rate was determined in accordance with the PIC - approved Q&A 2008-01 (Revised), which mandates that discount rates reflect (a) benefit cash flows and (b) use of zero coupon rates, even though theoretically derived.

The procedure of bootstrapping was applied to the PDST-R2 benchmark government bonds to arrive at the theoretical zero coupon yield curve. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years.

Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The retirement plan typically exposes the Association to a number of risks such as interest rate risk. The present value of the pension obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the retirement obligation although this will also be partially offset by an increase in the value of the plan's investment holdings. Hence, the present value of retirement obligation is directly affected by the discount rate to be applied by the Association.

The projected maturity analyses of retirement benefit payments as at December 31 are as follows:

	2017		2016	
	Normal retirement	Other than normal retirement	Normal retirement	Other than normal retirement
Less than one year	-	2,320,085	2,712,245	1,865,523
1 to 5 years	7,649,297	11,814,454	6,242,192	8,493,945
6 to 10 years	16,030,470	21,820,118	7,669,926	13,777,041
11 to 15 years	114,921,500	24,207,801	60,273,436	14,355,994
16 to 20 years	93,900,995	20,016,775	49,210,706	10,038,382
Over 21 years	272,856,173	25,209,258	114,421,126	10,827,890

The sensitivity of the retirement benefit obligation to changes in the weighted principal assumptions at December 31 follows:

	Change in assumption	Impact on retirement benefits obligation	
		Increase in assumption	Decrease in assumption
At December 31, 2017			
Discount rate	1.00%	(9,463,661)	11,029,972
Salary increase rate	1.00%	11,649,274	(10,136,838)
At December 31, 2016			
Discount rate	1.00%	(5,259,224)	6,106,328
Salary increase rate	1.00%	5,790,511	(6,648,502)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of financial position.

17 Related party transactions

The Association's related parties include the members of the Board, its officers and key management personnel. The following are the significant transactions with related parties:

As at and for the year ended December 31, 2017:

	Transactions	Outstanding balances	Terms and conditions
Advances to related parties	22,522,258	7,401,590	Non-interest bearing cash advances provided to members of the Board and officers in the ordinary course of business. These advances are subject to liquidation, are unguaranteed and unsecured.

As at and for the year ended December 31, 2016:

	Transactions	Outstanding balances	Terms and conditions
Advances to related parties	5,674,257	7,827,637	Non-interest bearing cash advances provided to members of the Board and officers in the ordinary course of business. These advances are subject to liquidation, are unguaranteed and unsecured.

The transactions presented above pertain to net amount of additions and liquidations on the advances to related parties.

The aggregate amounts included in the determination of income before income tax that resulted from transactions with key management personnel for the years ended December 31 are as follows:

	2017	2016
Salaries	18,590,980	16,539,230
Bonuses	11,355,541	12,274,786
Compensated absence	1,558,486	939,549
Short-term medical benefits	547,413	512,159
Social security costs	199,146	102,117
Other short-term benefits	544,880	593,519
	32,796,446	30,961,360

Based on the objective assessment done on related party balances, no provisions have been recognized against receivables from related parties, as these are all deemed to be fully recoverable as at December 31, 2017 and 2016.

18 Operating lease commitments

The Association as lessor

The Association leases out a portion of its existing building to various lessees for a period ranging from two to five years. These contracts are generally subject to 6% to 10% annual escalation. Rental income related to these agreements for the year ended December 31, 2017 amounts to P5,912,392 (2016 - P5,658,080). Direct costs relating to the premises being leased out amount to P6,715,825 for the year ended December 31, 2017 (2016 - P8,637,970).

The future minimum rental receivables under long-term operating leases as at December 31 are as follows:

	2017	2016
Within one year	5,475,429	4,430,257
After one year but not more than five years	10,303,876	14,684,482
	15,779,305	19,114,739

The Association as lessee

The Association has short-term lease agreements for its regional extension offices. Rent expense related to these agreements for the year ended December 31, 2017 amounts to P1,876,062 (2016 - P1,899,525).

19 Income taxes

Final tax

The Association's main operation is not subject to income tax. Current income tax expense represents final taxes on interest income from cash and cash equivalents and held-to-maturity securities withheld by financial institutions.

Income subject to normal tax

The details of the Association's taxable revenue and expenses for the years ended December 31 are as follows:

	2017	2016
Rent income	5,912,392	5,658,080
Direct costs	(6,715,825)	(8,637,970)
	(803,433)	(2,979,890)
Other taxable income	114,384	220,967
Gross loss	(689,049)	(2,758,923)
Itemized deductions	(102,375)	(227,361)
Net operating loss carry over (NOLCO)	(791,424)	(2,986,284)

Movement and details of NOLCO which can be applied against future taxable profits are as follows:

Year of incurrence	Year of expiration	2017	2016
2017	2020	791,424	-
2016	2019	2,986,284	2,986,284
2015	2018	1,177,700	1,177,700
2014	2017	4,311,435	4,311,435
2013	2016	-	2,145,345
Expired portion during the year		9,266,843 (4,311,435)	10,620,764 (2,145,345)
Tax rate		30%	30%
Unrecognized deferred tax asset on NOLCO		1,486,622	2,542,626

The Association did not recognize deferred tax assets from future deductible temporary difference arising from NOLCO as at December 31, 2017 and 2016 because management believes that the Association may not have sufficient future taxable profits available to allow all or part of NOLCO to be utilized in the near future before its expiration.

20 Fair value determination

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:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Financial assets measured at fair value

The fair value of available-for-sale financial assets at December 31 is determined as follows:

	2017	2016	Fair value hierarchy
Available-for-sale securities	183,403,565	29,383,901	Level 2

Fair value of available-for-sale financial assets is based on market prices as at reporting date.

Financial assets and liabilities not measured at fair value

The following table provides information about the fair values of the Association's financial assets and liabilities, which are not measured at fair value in the statement of financial position.

	2017		2016	
	Carrying values	Fair values	Carrying values	Fair values
Financial assets				
Cash and cash equivalents	2,517,545,083	2,517,545,083	4,248,245,966	4,248,245,966
Insurance receivables	14,601,472	14,601,472	14,976,083	14,976,083
Loans and receivables, net				
Salary loans	5,007,939,579	5,723,359,519	4,250,096,926	4,238,445,325
Equity loans	585,234,015	668,838,874	1,195,700,254	1,375,055,292
Held-to-maturity securities	6,617,878,435	6,502,631,990	5,073,035,274	5,122,590,160
Other assets	8,336,343	8,336,343	7,088,622	7,540,039
	14,751,534,927	15,435,313,281	14,789,143,125	15,006,852,865
Financial liabilities				
Accounts payable and accrued expenses	809,198,875	809,198,875	895,138,564	895,138,564
Claims payable	108,495,255	108,495,255	107,986,057	107,986,057
Members' contributions	4,750,075,583	4,750,075,583	5,720,032,448	5,720,032,448
	5,667,769,713	5,667,769,713	6,723,157,069	6,723,157,069

Salary and equity loan receivables (Level 2)

The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted with the use of assumptions regarding appropriate credit spread for the loan, derived from other market instruments.

Held-to-maturity securities (Level 2)

Fair value of held-to-maturity financial assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Members' contributions (Level 3)

The estimated fair value of members' contributions with no stated maturity is the amount repayable on demand which is equal to the members' equity value. The most significant input for purposes of estimating fair value pertains to its interest rates. The higher the interest rate, the lower the expected fair value is. The changes in members' contributions for the years ended December 31, 2017 and 2016 are discussed in Note 12.

Other financial assets and financial liabilities (Level 2)

The carrying values of other financial assets and financial liabilities approximate their respective fair values at reporting date due to their short-term maturities.

Investment property measured at cost for which fair value is disclosed (Level 3)

The fair value of the investment property was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair value of the parcels of land amounting to P3,640,000 as at December 31, 2017 (2016 - P560,000) was determined based on market data approach and is based on sales and listings of comparable properties registered within the vicinity. In estimating the fair value of the parcels of land, the appraisal made gave due consideration to the highest and best use of the property.

The changes in investment property for the years ended December 31, 2017 and 2016 are discussed in Note 7.

There were no transfers between levels of fair value hierarchy in 2017 and 2016.

21 Insurance and financial risk management objectives and policies

The primary objective of the Association's financial risk management framework is to protect the Association's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Association recognizes the critical importance of having efficient and effective risk management systems in place.

The Association has established a risk management function with reference from the Board, its committees and management. This is supplemented with a clear organizational structure with delegated authorities and responsibilities from the Board to senior managers.

Regulators are primarily interested in protecting the rights of the members and monitor the Association closely to ensure that the Association is satisfactorily managing its affairs for its members' benefit. At the same time, the regulators are also interested in ensuring that the Association maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Association are also subject to regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise).

Insurance risk

The principal risk the Association faces under insurance contracts is that the actual claims and benefit payments or timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims. Therefore, the objective of the Association is to ensure that sufficient reserves are available to cover these liabilities.

The main insurance risks the Association is exposed to are:

- Mortality risk - risk of loss arising due to member death experience being different than expected.
- Morbidity risk - risk of loss arising due to member health experience being different than expected.
- Longevity risk - risk of loss arising due to annuitant living longer than expected.
- Expense risk - risk of loss arising from returns being different from expected.
- Member decision risk - risk of loss arising due to member experiences being different than expected.

The Association's main insurance policy entitles a member to life insurance with accidental death benefit and dismemberment coverage.

The significant factors that could increase the overall frequency of claims are terrorisms, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The Association manages its insurance risk by ensuring it generates lasting returns from its financial assets, so that it will be able to fund its obligation arising from its insurance contracts. The Association also closely monitors its assets and liabilities to attempt to match the expected pattern of claim payments with the maturity dates of its assets.

Financial risk

The Association's financial risk management is coordinated with the Board, and focuses on actively securing the Association's short-term and medium-term cash flows by minimizing the exposure to financial risks. Long-term financial investments are managed to generate lasting returns.

The Association is exposed to financial risk through its financial assets and financial liabilities. In particular, the key financial risk that the Association is exposed to is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts.

Safety of principal is the foremost objective of the investment program. Investment shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. The Association does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Association is exposed to include credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Key areas where the Association is exposed to credit risk pertain to the amounts due from its loans receivable from members.

The Association minimizes its credit risk by:

- limiting the investment to those allowed by the IC or as approved by the Insurance Commissioner;
- pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the Association will do business;
- verifying the qualifications of the member who avail of the Association's loan facilities. The Association only grants loans to its bonafide members that have passed its credit evaluation and are approved by the Association's Office of the President. Salary loans are granted only to members who apply with the automatic salary deduction scheme of the finance office of the PNP and other public safety agencies/offices and diversifying the investment portfolio. The Associations' salary and equity loans receivable are actively monitored to avoid significant concentrations of credit risks.

The Association's gross maximum exposure to credit risk is equal to the carrying amount of its financial assets, except for salary loans and equity loans. Salary loans are secured with credit life insurance that extinguishes the outstanding financial obligation of the member in case of premature death during the duration of the insured loan term. Equity loans are secured with the members' contributions which is equal to its carrying value.

For salary loans receivable to be classified as "past due and impaired", contractual payments in arrears are more than 180 days or if the arrears are equivalent to 20% or more of the total obligation. An impairment adjustment is recorded in profit or loss for these receivables.

The following table provides information regarding the credit quality of the Association's financial assets as at December 31:

	2017			Total
	Neither past due nor impaired	Past due but not impaired	Impaired	
Cash and cash equivalents, excluding cash on hand	2,516,927,083	-	-	2,516,927,083
Insurance receivables	4,175,311	10,426,161	46,471,043	61,072,515
Available-for-sale securities	183,403,565	-	-	183,403,565
Held-to-maturity securities	6,617,878,435	-	-	6,617,878,435
Loans and receivables, net				
Salary loans	4,350,950,717	202,874,909	454,113,953	5,007,939,579
Equity loans	529,297,078	55,936,937	-	585,234,015
Interest receivable	45,512,838	-	-	45,512,838
Advances to officers and employees	7,964,109	-	-	7,964,109
Others receivable	1,556,594	-	-	1,556,594
Other assets				
Deposit to service providers	1,074,757	-	-	1,074,757
Restricted deposits	-	-	-	-
Injunction bond	-	-	-	-
	14,258,740,487	269,238,007	500,584,996	15,028,563,490

	2016			Total
	Neither past due nor impaired	Past due but not impaired	Impaired	
Cash and cash equivalents, excluding cash on hand	4,247,627,966	-	-	4,247,627,966
Insurance receivables	4,549,922	10,426,161	46,471,043	61,447,126
Available-for-sale securities	29,383,901	-	-	29,383,901
Held-to-maturity securities	5,073,035,274	-	-	5,073,035,274
Loans and receivables, net				
Salary loans	3,552,710,984	242,203,689	455,182,253	4,250,096,926
Equity loans	1,106,572,893	89,127,361	-	1,195,700,254
Interest receivable	37,086,992	-	-	37,086,992
Advances to officers and employees	8,471,284	-	-	8,471,284
Others receivable	1,160,174	-	-	1,160,174
Other assets				
Deposit to service providers	1,074,757	-	-	1,074,757
Restricted deposits	2,494,398	-	-	2,494,398
Injunction bond	500,000	-	-	500,000
	14,064,668,545	341,757,211	501,653,296	14,908,079,052

The counterparties for cash and cash equivalents, held-to-maturity and available-for-sale securities are considered to be investment grade based on ratings provided by reputable rating agencies. These counterparties are assessed to possess strong capacity to meet their obligations.

For salary loans receivable to be classified as “past due and impaired”, contractual payments in arrears are more than 180 days or if the arrears are equivalent to 20% or more of the total obligation. An impairment adjustment is recorded in profit or loss for these receivables. When credit exposure is adequately secured, arrears more than 180 days might still be classified as “past due but not impaired”, with no impairment adjustment recorded.

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair value, or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Association is the matching of available cash resources in respect of claims arising from insurance contracts.

The Association manages liquidity through a liquidity risk policy which specifies minimum proportion of funds to meet emergency calls sets up of contingency funding plans and specifies the sources of funding.

The following table summarizes the maturity profile of the Association's financial instruments:

	2017				
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Assets					
Cash and cash equivalents	2,517,545,083	-	-	-	2,517,545,083
Insurance receivables	14,601,472	-	-	-	14,601,472
Loan receivables:					
Salary loan*	715,280,621	3,966,565,241	326,093,717	-	5,007,939,579
Equity loan	83,558,578	447,338,831	54,336,606	-	585,234,015
Interest receivables	45,512,838	-	-	-	45,512,838
Advances to officers and employees	7,964,109	-	-	-	7,964,109
Other receivables	1,556,594	-	-	-	1,556,594
Available-for-sale securities	67,279,012	43,546,496	42,818,442	29,759,615	183,403,565
Held-to-maturity securities	2,105,378,435	1,614,700,000	962,800,000	1,935,000,000	6,617,878,435
Other assets	-	-	-	1,074,757	1,074,757
	5,558,676,742	6,072,150,568	1,386,048,765	1,965,834,372	14,982,710,447
Liabilities					
Accounts payable and accrued expenses	809,198,875	-	-	-	809,198,875
Claims payable**	108,495,255	-	-	-	108,495,255
Members' contributions	4,750,075,583	-	-	-	4,750,075,583
	5,667,769,713	-	-	-	5,667,769,713
Liquidity position (gap)	(109,092,971)	6,072,150,568	1,386,048,765	1,965,834,372	9,314,940,734

*Gross of allowance for impairment amounting P656,988,863

**Excluding IBNR amounting to P31,324,414

	2016				
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Assets					
Cash and cash equivalents	4,248,245,966	-	-	-	4,248,245,966
Insurance receivables	14,976,083	-	-	-	14,976,083
Loan receivables:					
Salary loan*	581,098,411	3,364,677,873	304,320,641	-	4,250,096,925
Equity loan	139,136,751	1,001,904,756	54,658,747	-	1,195,700,254
Interest receivables	37,086,992	-	-	-	37,086,992
Advances to officers and employees	8,471,284	-	-	-	8,471,284
Other receivables	1,160,174	-	-	-	1,160,174
Available-for-sale securities	-	-	-	29,383,901	29,383,901
Held-to-maturity securities	256,270,000	888,522,995	2,131,424,179	1,796,818,100	5,073,035,274
Other assets	2,994,398	-	-	1,074,757	4,069,155
	5,289,440,059	5,255,105,624	2,490,403,567	1,827,276,758	14,862,226,008
Liabilities					
Accounts payable and accrued expenses	895,138,564	-	-	-	895,138,564
Claims payable**	107,986,057	-	-	-	107,986,057
Members' contributions	5,720,032,448	-	-	-	5,720,032,448
	6,723,157,069	-	-	-	6,723,157,069
Liquidity position (gap)	(1,433,717,010)	5,255,105,624	2,490,403,567	1,827,276,758	8,139,068,939

*Gross of allowance for impairment amounting P455,182,253

**Excluding IBNR amounting to P36,612,047

It is unusual for an association primarily transacting an insurance business to predict the requirements of funding with absolute certainty as the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

Market risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk includes foreign currency risk, interest rate and other price risks. The Association has no financial assets and liabilities denominated in foreign currencies and therefore, it has no exposure to foreign currency exchange risk.

Available-for-sale securities are exposed to market risk depending on the nature of underlying securities. For example, a bond fund which is comprised mainly of debt securities are primarily exposed to interest rate risk while an equity fund is exposed to price risk.

For sensitivity analysis purposes, a $\pm 10\%$ movement in the market value of the Association's available-for-sale securities will increase/decrease net income for the year ended December 31, 2017 by P18,340,356 (2016 - P2,938,390).

22 Capital management and regulatory requirements

The primary objective of the Association's capital management is to comply with the statutory requirements on Margin of Solvency (MOS) and on Risk-Based Capital (RBC) for Mutual Benefit Associations.

The Association manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Association's activities. In order to maintain or adjust the capital structure, the Association may adjust the amount of experience refund paid to members.

To ensure compliance with these externally imposed capital requirements, it is the Association's policy to monitor the MOS and RBC requirement on a quarterly basis as part of the Association's internal financial reporting process.

The Association fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its objectives, policies and processes from the previous year.

MOS requirements

The MOS shall be the excess of the value of its admitted assets (as defined under the Code) exclusive of its paid-up capital over the amount of its liabilities, unearned premiums and reinsurance reserves. The final amount of the MOS shall be determined only after the accounts of the Association have been examined by the IC specifically as to admitted and non-admitted assets as defined in the Code.

As at December 31, the estimated amounts of non-admitted assets, as defined under the Code and are still subject to examination by the IC, which are included in the Association's statement of financial position, follow:

	2017	2016
Property and equipment	29,604,869	30,290,307
Loans and receivables	20,140,855	19,730,063
Other assets	12,264,121	10,625,263
	62,009,845	60,645,633

If an insurance entity fails to meet the minimum required MOS, the IC is authorized to suspend or revoke all certificates of authority granted to such entity, its officers and agents, and no new business shall be done by and for such entity until its authority is restored by the IC.

RBC requirements

The RBC ratio is used to measure the adequacy of the Association's statutory surplus in relation to the risks inherent in its business. The RBC method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premiums and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

Every mutual benefit association is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio will trigger regulatory intervention by the IC.

The RBC ratio of the Association shall be calculated as members' equity divided by the RBC requirement. As provided by Insurance Memorandum Circular No. 11-2006 dated December 8, 2006, members' equity is defined as admitted assets minus all liabilities inclusive of actuarial reserves and other obligation under the policies and membership certificates.

The following table shows how the RBC ratio as at December 31 has been determined by the Association:

	2017	2016
Member's equity	8,435,336,429	7,520,795,359
RBC requirement	1,751,102,257	1,704,339,828
RBC ratio	482%	441%

Others

On April 24, 2006, the IC issued Insurance Memorandum Circular No. 2-2006 increasing the amount of guaranty fund of mutual benefit associations. All existing mutual benefit associations should have a guaranty fund of P12,500,000 on or before December 31, 2006. This fund shall be deposited with the IC. The guaranty fund of the Association amounting to P25,000,000 as at December 31, 2017 and 2016 is included in held-to-maturity securities.

23 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities as at December 31 according to when they are expected to be recovered or settled.

	2017		Total
	Less than 12 months	Over 12 months	
ASSETS			
Cash and cash equivalents	2,517,545,083	-	2,517,545,083
Insurance receivables	14,601,472	-	14,601,472
Available-for-sale securities	67,279,012	116,124,553	183,403,565
Held-to-maturity securities	2,105,378,435	4,512,500,000	6,617,878,435
Loans and receivables	853,872,740	4,137,345,532	4,991,218,272
Investment property	-	2,814,000	2,814,000
Property and equipment	-	240,358,400	240,358,400
Other assets	2,798,465	9,465,656	12,264,121
Total assets	5,561,475,207	9,018,608,141	14,580,083,348
LIABILITIES			
Accounts payable and accrued expenses	815,847,018	-	815,847,018
Claims payable	139,819,669	-	139,819,669
Legal policy reserves	-	285,133,593	285,133,593
Premium deposits	-	123,538,287	123,538,287
Retirement benefits obligation	-	30,332,769	30,332,769
Members' contributions	4,750,075,583	-	4,750,075,583
Total liabilities	5,705,742,270	439,004,649	6,144,746,919
2016			
	Less than 12 months	Over 12 months	Total
ASSETS			
Cash and cash equivalents	4,248,245,966	-	4,248,245,966
Insurance receivables	14,976,083	-	14,976,083
Available-for-sale securities	-	29,383,901	29,383,901
Held-to-maturity securities	256,270,000	4,816,765,274	5,073,035,274
Loans and receivables	766,953,612	4,270,379,765	5,037,333,377
Investment property	-	560,000	560,000
Property and equipment	-	258,367,771	258,367,771
Other assets	2,616,512	8,008,751	10,625,263
Total assets	5,289,062,173	9,383,465,462	14,672,527,635
LIABILITIES			
Accounts payable and accrued expenses	902,225,299	-	902,225,299
Claims payable	144,598,104	-	144,598,104
Legal policy reserves	-	249,831,249	249,831,249
Premium deposits	-	106,122,022	106,122,022
Retirement benefits obligation	-	28,923,154	28,923,154
Members' contributions	5,720,032,448	-	5,720,032,448
Total liabilities	6,766,855,851	384,876,425	7,151,732,276

24 Critical accounting estimates, assumptions and judgments in applying accounting policies

The Association makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments 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. It is reasonably possible that the outcomes within the next financial year could differ from assumptions made at reporting date and could result in the adjustment to the carrying amount of affected assets or liabilities.

24.1 Critical accounting estimates

(a) *The ultimate liability arising from claims made under insurance contracts (Note 11)*

The estimation of the ultimate liability arising from claims made under insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Association will ultimately pay for such claims. The major sources of uncertainties are the frequency of claims due to the contingencies covered and the timing of benefit payments.

With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year are different from assumptions and could require a material adjustment to the carrying amount of the asset or liability affected including reserve for outstanding losses and related reinsurance balances. The Association considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the ultimate liability arising from claims made under insurance contracts as the major sources of uncertainties may differ significantly.

The carrying value of claims payable as at December 31, 2017 amounts to P139,819,669 (2016 - P144,598,104). Legal policy reserves as at December 31, 2017 amount to P285,133,593 (2016 - P249,831,249).

(b) *Impairment losses on loans and receivables (Note 6)*

The Association reviews its loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in profit or loss, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Association considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the extent of the net present value of estimated cash flows of individually impaired accounts and the estimated impairment for collectively assessed accounts.

Allowance for impairment of loans and receivables as at December 31, 2017 amounts to P656,988,863 (2016 - P455,182,253).

(c) Valuation of retirement benefits obligation (Note 16)

The determination of retirement benefits obligation is dependent on the selection of certain assumptions used by the Association in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate. Due to the long term nature of the retirement plan, such estimates are subject to significant uncertainty. As at December 31, 2017, the assumed discount rate was determined based on the yield of a Philippine Government Bond with term that is appropriate for the term of the liability of the plan.

While the Association believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and the related obligation. The possible effects of sensitivities surrounding the actuarial assumptions of the Association at the reporting date are disclosed in Note 16.

Retirement benefits obligation as at December 31, 2017 amounts to P30,332,769 (2016 - P28,923,154).

24.2 Critical accounting judgments

(a) Classification of held-to-maturity securities (Note 5)

The Association follows the guidance of PAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Association evaluates its intention and ability to hold such investments to maturity. If the Association fails to keep these investments to maturity other than for the specific circumstances - for example selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value and not at amortized cost.

Held-to-maturity securities as at December 31, 2017 amounts to P6,617,878,435 (2016 - P5,073,035,274).

(b) Recognition of deferred tax asset (Note 19)

The Association's main operation is not subject to income tax. The Association's management has assessed that there is no adequate future taxable profits that will be available against which the unused NOLCO can be applied before its expiration. The Association has not recognized deferred tax assets from future deductible temporary differences arising from NOLCO amounting to P1,486,622 as at December 31, 2017 (2016 - P2,542,626).

(c) *Impairment of property and equipment (Note 8)*

The Association's property and equipment are carried at cost less accumulated depreciation and amortization and impairment losses, if any. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those judgments could have a significant effect on the carrying value of property and equipment and the amount and timing of recorded provision for any period.

As at December 31, 2017 and 2016, management believes, based on its judgment, that there are no indications of impairment or changes in circumstances indicating that the carrying value of its property and equipment may not be recoverable.

25 Summary of significant accounting policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to both years presented, unless otherwise stated.

25.1 Basis of preparation

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities.

The preparation of these financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the Association. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 24.

Revised standard chart of accounts (SCA)

On September 25, 2014, the IC issued Circular Letter no. 2014-41 presenting a revised SCA for Mutual Benefit Associations. The revised SCA is in line with the requirements of SRC Rule 68, section 189 of the Amended Insurance Code, and current accounting standards in the Philippines. The Circular Letter is effective beginning on 2014 financial statements. The Association implemented the circular in 2015.

25.2 Changes in accounting policies and disclosures

(a) *New and amended standards adopted by the Association*

The following relevant standards have been adopted by the Association effective January 1, 2017:

- *Amendments to PAS 12, 'Income taxes'*. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that: (a) a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period; (b) an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit; (c) where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type; and (d) tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit.
- *Amendments to PAS 7, 'Statement of cash flows'*. Beginning January 1, 2017, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

Management has assessed that these amendments have no significant impact on the Association's financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2017 are considered not relevant to the Association's financial statements.

(b) *New standards, amendments and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these financial statements. The more relevant standards are set out below:

- *PFRS 9 'Financial Instruments' (effective January 1, 2018)*.

PFRS 9 replaces the multiple classification and measurement models in *PAS 39 Financial instruments: Recognition and Measurement* with a single model that has initially only two classification categories: amortized cost and fair value.

Classification of debt instruments will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through profit or loss, except for equity investments that are not held for trading, which may be recorded in profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than in profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In July 2014, the Financial Accounting Standards Board (FASB) made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, PFRS 9 is now complete. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

On September 12, 2016, 'Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts (Amendments to PFRS 4)' was issued which provides optional relief to insurers meeting certain criteria from any adverse impact that may arise from the different effective dates of PFRS 9 and any resulting standard from the FASB's ongoing insurance contracts project. The two options for entities that issue contracts within the scope of PFRS 4 permit an entity to either: (1) reclassify from profit or loss to other comprehensive income some of the income or expenses arising from designated financial assets, referred to as the 'overlay approach', or (2) for entities whose predominant activity is issuing contracts within the scope of PFRS 4, defer the application of PFRS 9 entirely, referred to as the 'deferral approach'.

The new application of both approaches would be optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied, and would not be permitted to adopt the 'deferral approach' beyond the accounting period commencing on or after January 1, 2021.

The Association is currently assessing whether they will apply the overlay approach or deferral approach. Based on management's initial assessment, the adoption of PFRS 9 will not have a significant impact on the classification and measurement of its financial assets. Bulk of its financial assets are expected to still be subsequently measured at amortized cost. However, the new standard will affect the assessment and recognition of impairment provision for loans and receivables under the expected credit loss model. The Association will update its assessment to reflect full impact to the financial statements of the new impairment methodology.

- *PFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after January 1, 2018)*

PFRS 15 will replace *PAS 18, 'Revenue'* which covers contracts for goods and services and *PAS 11, 'Construction contracts'* which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognized: (1) identify contracts with customers, (2) identify the separate performance obligation, (3) determine the transaction price of the contract, (4) allocate the transaction price to each of the separate performance obligations, and (5) recognize the revenue as each performance obligation is satisfied

The adoption of PFRS 15 will not have a material impact on the financial statements of the Association.

- *PFRS 16, 'Leases' (effective for annual periods beginning on or after January 1, 2019)*

PFRS 16 will replace the current guidance in *PAS 17, Leases*. PFRS 16 which will become effective on January 1, 2019 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An optional exemption exists for short-term and low-value leases.

The adoption of the standard is not expected to have a material impact on the Association's financial statements. The Association will make a more detailed assessment of the impact over the next 12 months.

- *PFRS 17, 'Insurance Contracts' (effective January 1, 2021)*

PFRS 17 was issued in May 2017 as replacement for *PFRS 4, 'Insurance Contracts'*. PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Association is currently assessing the full impact of PFRS 17.

There are no other relevant standards, amendments to standards or interpretations that are not yet effective that are expected to have a material impact on the Association's financial statements.

25.3 Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash depending on the immediate cash requirements of the Association and are subject to an insignificant risk of change in value.

25.4 Financial assets

25.4.1 Classification

The Association classifies its financial assets in the following categories: (i) fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity securities and (iv) available-for-sale securities. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

As at December 31, 2017 and 2016, the Association has no financial assets classified at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of being traded.

Significant accounts falling under this category are cash and cash equivalents, insurance receivables, loans and receivables and other assets mainly pertaining to deposit to service providers.

Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Association's management has the positive intention and ability to hold to maturity.

Available-for-sale securities

Available-for-sale securities are non-derivative instruments that are either designated in this category or not classified in any of the other categories. Available-for-sale securities are classified as such in the statement of financial position.

25.4.2 Recognition and measurement

Initial recognition and measurement

Regular-way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity securities and available-for-sale securities are recognized on trade date, the date on which the Association commits to purchase or sell the asset. Loans and receivables are recognized upon origination when cash is advanced to the borrowers or when the right to receive payment is established. Financial assets such as held to maturity securities, available for sale securities and loans and receivables are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value; and transaction costs are recognized in profit or loss.

Subsequent measurement

Available-for-sale securities are subsequently carried at fair value. Loans and receivables and held-to-maturity securities are subsequently carried at amortized cost using the effective interest method. Changes in the fair value of available-for-sale securities are recognized directly in other comprehensive income, until the financial asset is derecognized or impaired at which time the cumulative fair value adjustments previously recognized in other comprehensive income are recognized in profit or loss. However, interest is calculated on these securities using the effective interest method and foreign currency gains or losses on monetary assets classified as available-for-sale are recognized in profit or loss. Dividends on equity instruments are recognized in profit or loss when the Association's right to receive payment is established.

25.4.3 Reclassification

The Association may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity securities out of the available-for-sale category if the Association has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Reclassification and sale of held-to-maturity securities other than an insignificant amount, would taint the entire portfolio and result in reclassification to available-for-sale category, except on sales and reclassifications that:

- are so close to maturity that changes in the market interest rates would not significantly affect fair value;
- occur after the entity has collected substantially all of the asset's original principal; or
- are attributable to an isolated, non-recurring event that could not have been reasonably expected.

25.4.4 Derecognition

A financial asset is derecognized when the contractual right to receive the cash flows from the asset has ceased to exist or the asset has been transferred and substantially all the risks and rewards of ownership of the asset are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Association tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

25.4.5 Impairment of financial assets

Loans and receivables and held-to-maturity securities

The Association assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial asset is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Association uses to determine if there is an objective evidence of impairment include:

- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower;
- breach of loan covenants or conditions;
- initiation of bankruptcy proceedings;
- deterioration of the borrower's competitive position; and
- deterioration in the value of collateral.

The Association first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (recoverable amount). The calculation of recoverable amount of a collateralized financial asset reflects the cash flows that may result from foreclosure less cost of obtaining and selling the collateral, whether or not foreclosure is probable. Impairment loss is recognized in the statement of total comprehensive income and the carrying amount of the asset is reduced through the use of an allowance account.

For purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Association's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Association and historical loss experience for assets with credit risk characteristics similar to those in the Association. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of loss has been determined.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognized in the statement of total comprehensive income as a reduction of impairment losses for the year.

Assets classified as available-for-sale

The Association assesses at each reporting date whether there is an objective evidence that a security classified as available-for-sale is impaired. For debt securities, the Association uses the criteria disclosed under loans and advances. For an equity security classified as available-for-sale, a significant or prolonged decline in the fair value below cost is considered in determining whether the securities are impaired. Generally, the Association treats 20% or more as 'significant' and greater than twelve months as 'prolonged'. The cumulative loss (difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognized in profit or loss) is removed from other comprehensive income and recognized in profit or loss when the asset is determined to be impaired. If in a subsequent period, the fair value of a debt instrument previously impaired increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. Reversal of impairment losses recognized previously on equity instruments is made directly to other comprehensive income.

Renegotiated loans

Loans that are either subject to individual or collective impairment assessment and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

25.5 Financial liabilities

25.5.1 Classification

The Association classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Association as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

As at December 31, 2017 and 2016, the Association has no financial liabilities that are designated at fair value through profit or loss.

Other liabilities measured at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost.

As at December 31, 2017 and 2016, the Association's financial liabilities consist of accounts payable and accrued expenses (excluding tax and other statutory payables), claims payable and members' contributions.

25.5.2 Recognition and measurement

Initial recognition and measurement

Financial liabilities at amortized cost are initially recognized at fair value plus transaction costs.

Subsequent measurement

Financial liabilities are subsequently measured at amortized cost using the effective interest method.

25.5.3 Derecognition

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired).

25.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

Financial instruments

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes mainly from PDEX and Bloomberg.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at reporting date. The Association uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity. For these financial instruments, inputs into models are generally market observable.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as members' contributions are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair value of available for sale financial assets is classified under Level 2 of the fair value hierarchy. There are no other financial assets or liabilities carried at fair value at reporting date.

Non-financial assets or liabilities

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The Association uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

Market approach - A valuation technique that uses observable inputs, such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Income approach - A valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e. market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions.

The fair value of the Association's investment property as disclosed in the notes to the financial statements (Note 7) falls under Level 3 of the fair value hierarchy. There are no other non-financial assets for which disclosure of fair value hierarchy is required as at reporting date.

25.7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right might not be consistent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the entity or the counterparty.

As at December 31, 2017 and 2016, there are no financial assets and liabilities that have been offset.

25.8 Insurance receivables

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the amount receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

Insurance receivables are derecognized following the derecognition criteria of financial assets.

25.9 Investment property

Investment property consists of parcels of land owned by the Association that is primarily held for capital appreciation. Investment property is initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property is measured at cost less any impairment in value.

Investment property is derecognized either when disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the disposal or retirement of investment property are recognized in profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development.

For a transfer from investment property to owner-occupied property and transfer of owner-occupied property to investment property, the Association accounts for such properties in accordance with the policy stated under investment property and property and equipment, respectively, up to the date of change in use.

25.10 Property and equipment

Property and equipment, except for land, are initially recognized at cost and subsequently measured at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which 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 of the assets.

Construction in-progress is stated at cost. This includes cost of construction and other direct cost. Construction in-progress is not depreciated until such time the relevant assets are completed and available for use.

Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

	Number of years
Building and improvements	20
Transportation equipment	5
Office machine and equipment	3
Furniture and fixtures	3

Depreciation of property and equipment commences once the assets are available for use. Depreciation ceases at the earlier of the date that the item is classified as non-current asset held for sale or the date that the asset is derecognized.

The assets' estimated useful lives and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

When properties and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated properties and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

An item of property and equipment is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

25.11 Software and program cost

Software and program cost, which are not specifically identifiable and integral to specific computer software, are shown as part of “Other assets” in the statement of financial position. These are carried at cost, less accumulated amortization and any impairment in value. Amortization is computed on a straight-line method over the estimated useful life of five years.

As at December 31, 2017 and 2016, software and program cost is fully amortized but still in use.

25.12 Impairment of non-financial assets

The Association assesses property and equipment, investment property and software and program cost at each reporting date whether there is an indication that an asset may be impaired. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value, reflecting market conditions less cost to sell, and value in use, based on an integral evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of impairment loss.

25.13 Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid expenses and creditable withholding tax. Prepaid expenses are apportioned over the period covered by the payment and charged to the appropriate accounts in the statement of total comprehensive income when incurred. Creditable withholding tax is deducted from income tax payable.

25.14 Insurance contracts

Insurance contracts are defined as those contracts under which the Association accepts significant insurance risk from another party (the members) by agreeing to compensate the members if a specified uncertain future event (the insured event) adversely affects the member.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

25.15 Insurance contract liabilities

Life insurance contract liabilities

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized.

Legal policy reserves

Legal policy reserve represents the accumulated total liability for policies in force at the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in force. The reserves are calculated using actuarial methods and assumptions as approved by the IC, subject to the liability adequacy test.

Insurance benefits and claims

Insurance benefit and claims are recorded when incurred. These are recorded when notices of claims have been received or when policies reach maturity. Unpaid claims, including those incurred but not reported (IBNR) claims, are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date. These costs pertain to estimates of the Association's obligations to the members where the Association has not yet received notification on. Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost could not be known with certainty at the reporting date. The Association develops estimates for IBNR using an actuarial process that is centrally controlled. The actuarial models consider factors such as time from the date of service to claim receipt and claim backlogs. Each period, the Association re-examines previously established provisions for claims based on actual claim submissions and other changes in facts and circumstances.

Liability adequacy test

At each reporting date, a liability adequacy test is performed for the insurance contract liabilities. In performing this test, current best estimates of future cash flows and claims handling and administration expenses, as well as investment income from the asset backing such liabilities are used. Any deficiency is immediately charged against current operations.

Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimates assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Liabilities for future policy benefits on in-force policies have been computed based on methods and assumptions that are in accordance with generally accepted actuarial principles. Changes in the balance of legal policy reserves at each reporting date are taken to profit or loss.

25.16 Premium deposits

Premium payments received in advance that are measured at the fair value of the consideration received are deferred and recognized as premium when they become due.

25.17 Members' contributions

Under the Association's MBEP, 44% of the contribution received from a member represents the member's savings in the Association, which was directly reported as additions to "Members' contributions". The members' contributions earn interest at a rate as may be determined by the Board. This equity plan was being offered by the Association until December 31, 2013. Effective January 1, 2014, the Association started offering the MEP. Under this new equity plan, 50% of the contributions are maintained as savings in the Association and recognized as "Members' contributions". The members' contributions earn interest at a rate as may be determined by the Board but shall never be lower than the prevailing commercial bank rate for savings accounts.

The members' contributions earn interest at a rate of 12% and 3% for MBEP and MEP, respectively. The interest expense is charged to the statement of total comprehensive income. On June 27, 2016, the Board approved the 1% increase in interest rate for MEP from 2% since January 2014.

The interest expense is charged to profit or loss, while the accumulated earnings of the members' contribution is shown as an addition to the "Members' contributions" under the liabilities section of the statement of financial position.

In addition to interest provided to the members' equity balance, the Association declares experience refund resulting from certain experience rating arrangements brought by the good financial performance of the Association. The experience refund is calculated at specified dates, such as contract anniversary date or at the end of the calendar year. Experience refunds are charged as an expense upon declaration of such by the Board of Trustees. Unpaid balance of experience refunds is presented under Payable to members in the statement of financial position.

25.18 Retained surplus

Retained surplus represents the cumulative balance of net income or loss, prior period adjustments, effects of changes in accounting policy and other capital adjustments. Retained surplus represents that portion which is free and can be declared for distribution to the members. Appropriated retained surplus represents that portion which is restricted and therefore not available for any experience refund declaration.

25.19 Revenue

Revenue is recognized to the extent that it is probable that economic benefits will flow to the entity and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Insurance premiums are recognized as revenue when they become due from members.
- Interest income on cash and cash equivalents, held-to-maturity financial assets and loans receivables are recognized as they accrue based on the effective interest method.
- Rental income under the Association's operating lease agreements is accounted for on a straight-line basis over the lease term.

25.20 Expenses

Cost and expenses are recognized in the statement of total comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Benefits and claims

Benefits and claims consist of benefits paid as insurance protection, and financial and material aid to members, as well as changes in the valuation of insurance contract liabilities. Death claims are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Interest expense

Interest expense on accumulated members' equity is recognized in profit or loss as it accrues.

Other cost and expenses

Expenses are recognized in profit or loss upon utilization of the service or when they are incurred.

25.21 Retirement benefits

The Association operates a defined benefit retirement plan. The retirement plan is generally funded through payments to a trustee bank determined by periodic actuarial calculations.

Typically, defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan asset, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The defined benefit cost consists of the service cost and net interest cost. Service cost which includes current service cost, past service cost and gains or losses on non-routine settlements is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs. Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurement comprising actuarial gains and losses, return on plan asset, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) is recognized immediately in other comprehensive income in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods. Remeasurement recognized in other comprehensive income account "Remeasurement gains (losses) on retirement benefits obligation" is not reclassified to another equity account in subsequent periods. The difference between the interest income component of net interest and the actual return on plan asset is recognized in other comprehensive income.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Association, nor can they be paid directly to the Association. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets or if no maturity, the expected period until the settlement of the related obligation.

The Association's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

25.22 Operating leases

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Association as lessor

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Association as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

25.23 Income taxes

Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Association reassesses the need to recognize previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward benefits of unused tax credits that can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

25.24 Provision and contingencies

Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made with the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, an increase in provision due to the passage of time is recognized as an interest expense. When the Association expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of total comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

25.25 Related party transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or members. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

25.26 Subsequent events (Events after the reporting date)

Post year-end events that provide additional information about the Association's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end adjusting events that are non-adjusting events are disclosed in the notes to the financial statements when material.

26 Supplementary information required by the Bureau of Internal Revenue ("BIR")

Below is the additional information required by Revenue Regulations No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(i) Output value-added tax (VAT)

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Association's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT.

Output VAT declared for the year ended December 31, 2017 and the revenue upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT	5,912,392	709,487

(ii) Input VAT

Movements in input VAT for the year ended December 31, 2017 follow:

	Amount
Beginning balance	238,559
Add: Current year's domestic purchases/payments for: Services lodged under other accounts	561,686
Less: Claims for tax credit/refund and other adjustments	630,129
Total input VAT	170,116

(iii) *All other local and national taxes*

All other local and national taxes paid for the year ended December 31, 2017 consist of:

	Amount
Permits and licenses	1,266,471
Registration fees	45,454
	1,311,925

The above local and national taxes are lodged under Taxes and licenses in General and administrative expenses.

There are no accrued other local and national taxes as at December 31, 2017.

(iv) *Withholding taxes*

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2017 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	21,330,404	7,619,581	28,949,985
Expanded withholding tax	2,389,481	364,960	2,754,441
Fringe benefit tax	265,882	-	265,882
	23,985,767	7,984,541	31,970,308

(v) *Tax assessments and tax cases*

The Association has not received any Preliminary or Final Assessment Notices on any of the open tax years as at December 31, 2017.

All other information required to be disclosed by the BIR have been included in this note.

Thank you for your trust and support to PSMBFI



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LESSONS WE CAN LEARN FROM THE GEESE



1. As each goose flaps its wings, it creates an “UPLIFT” for the geese following. By flying in a “V” formation, the whole flock adds 71% more range than if each goose flew alone.

LESSON: People who share a common direction and a sense of community can get to their destination quicker and with less difficulty because they are traveling on the thrust of one another.

2. When the lead goose gets tired, it rotates back in formation, and another goose flies at the point position.

LESSON: It pays to take turns doing hard tasks and sharing leadership with people interdependent with each other.

3. The geese honk from behind to encourage those in front to keep up their speed.

LESSON: We need to make sure our honking from behind is an encouragement that will strengthen a diminishing resolve, not something less helpful.

4. When a goose gets sick, or wounded or shot down, two geese drop out of formation and follow the member which went down to provide protection. They stay with this member of the flock until it is able to fly again or dies. Then they catch up with the original flock and rejoin the formation.

LESSON: If we have as much sense as the geese, we'll stand by each other.

“Excerpts from the work of Milton Olson”

