

**PICK N PAY MEDICAL SCHEME  
CHAIRPERSON'S REPORT  
for the year ended 31 December 2022**

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As Chairperson of the Board of Trustees, I have pleasure in presenting my report for the year ended 31 December 2022.

It remains the Board of Trustees' priority to ensure that, whilst continuing to provide our members with a comprehensive and competitive benefit offering, the Scheme remains financially viable, thereby ensuring its long-term sustainability. Pick n Pay Medical Scheme remains committed to ensuring that its contributions are competitive, without compromising on the quality of care that you and your families receive.

The various Sub-Committees, which include Risk and Audit, Investment, Clinical and Ex Gratia, have continued to provide expert insight and guidance on the issues relating to the running of the Scheme, whilst holding the best interests of the members at heart.

The Scheme remains financially sound with a solvency ratio of 131,2% as at 31 December 2022. These reserves are well in excess of the legislated targets, but appropriate for the long-term sustainability of our Scheme.

Legislative developments are continuously closely monitored with the aim to pre-empt and minimise the impact on the Scheme.

### **Financial performance**

During 2022 the Scheme paid out R307,922,492 in claims and claims-related expenses. The Trustees, as well as the managed care providers and actuaries, continue to keep a close eye on claims expenditure.

The reserve ratio of 131,2% is still higher than the Council for Medical Schemes requirement. This is a further safeguard that will guarantee the financial viability of the Scheme for many years to come.

Including investment returns during the year and together with the higher-than-expected claims expenditure, the Scheme made a net loss of R19,404,610 for the year ended 31 December 2022. This can be attributed, in part, to the higher-than-expected claims expenditure for the Scheme as a result of members returning to seeking medical care and attention post-Covid. The Scheme does, however, still remain financially sound and is able to meet its commitments in terms of the payment of claims.

### **Investments**

Detailed information regarding the Scheme's investment performance for 2022 is provided after this report. We would, however, like to remind you of the following at this point:

In managing the Scheme's investments, the Board of Trustees has an Investment Committee, constituted of five suitably qualified individuals. The Committee is assisted by representatives from the Scheme's Administrator, our Actuarial Consultants and Willis Towers Watson, the Scheme's Investment Consultants. The actions of the committee are governed by the Investment Committee Charter and the Statement of Investment Principles (SIP) and any changes to these two documents require approval from the Board of Trustees.

The SIP outlines rules regarding what the Scheme can and cannot invest in, including asset classes, amongst others. In addition to the SIP, the Scheme's investments are governed by Regulation B of the Medical Schemes Act of 1998 that details specific limitations on certain asset classes.

The Scheme's investment strategy is to maximise the return on its investments on a long-term basis at an appropriate level of risk. The investment strategy takes into consideration constraints imposed both by legislation and by the Board of Trustees. This policy is reviewed annually, taking cognisance of compliance with the Act, the risk returns of the various investment instruments and available surplus funds that ideally should be invested elsewhere so as to maximise the investment return.

### **Membership**

Membership of the Scheme has decreased by 49 principal members from January to December 2022. The average age of beneficiaries was 31.7 and the pensioner ratio was 4.7%.

### **Benefit changes**

To keep contribution increases as low as possible, the Board decided to keep all benefits the same for 2022, but approved an increase of 4.6% on benefit limits. This was done to minimise the impact of medical inflation, increased tariffs by medical professionals and to limit any out-of-pocket co-payments for members.

*Continued overleaf*

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**Contribution increases**

The Trustees have tried very hard to keep contribution increases as low as possible and have tried to balance the impact on household budgets amidst the rising cost of living to ensure that the Scheme remains financially viable for years to come. The contributions were increased by 4% for 2022. These increases were well below the average increases announced by other medical schemes.

To further ease the burden on household budgets, each year we increase the income bands to prevent those members who are currently at the top of their income bands from being pushed into a higher bracket where they will have to pay higher contributions when the salary increases come into effect. The income bands were increased by 4.6% on both options in 2022.

In an effort to assist pensioner members, the calculation of the monthly contribution was adjusted by reducing the percentage by which the contribution is calculated from 60% of the last working salary to 40% of the last working salary. This resulted in a large number of pensioner members moving to lower income bands and lower monthly contributions for 2022. We hope that this exercise has brought some financial relief to many of our pensioner members.

While the reserve ratio may appear to be more than adequate to keep contribution increases low, we need to factor in the unpredictability of the ever-changing healthcare market and the volatility of year-on-year claims experience.

**External Auditors**

At the previous Annual General Meeting we advised that we were given notice by our External Auditors, Ernst & Young (EY). This was not due to any Scheme irregularities, but rather due to the fact that EY no longer had Council for Medical Schemes-accredited auditors able to perform medical scheme audits. The Scheme went out to tender and BDO South Africa Incorporated was awarded the auditor appointment and has just completed the 2022 external audit. A copy of their report is included in the pack for noting.

**A moment of appreciation**

On behalf of the Pick n Pay Medical Scheme, we would like to express our thanks to the following people/organisations:

- Ms Pamela Botha, who was appointed as the Principal Officer effective 1 April 2022;
- the Company for its continued support;
- our colleagues on the Board of Trustees and the various sub-committees for their commitment and leadership;
- the management and staff at Momentum Health Solutions for the efficient manner in which they managed the day-to-day affairs of the Scheme;
- the management and staff of our managed care providers – Private Health Administrators, MediKredit, ER24 Emergency Medical Services and the Centre for Diabetes and Endocrinology – for the efficient manner in which they have managed the various managed care programmes;
- the management and staff of our value-added service partners – Ambledown Gap Cover, HealthSaver and Multiply – for the efficient manner in which they have managed the additional products offered to our members;
- our Medical Advisor, Dr Martin Bailey, for his continued dedication and commitment to the Scheme;
- our Actuarial Consultants, NMG Consultants and Actuaries, for their invaluable contributions throughout the year;
- Willis Towers Watson for their assistance and guidance in managing our investments;
- the External Auditor, BDO South Africa Incorporated, for the manner in which they conducted their audit;
- the Registrar for Medical Schemes and his staff for their assistance during the year;
- all other service providers;
- our members for their continued efforts in proactively managing their health and wellness, thereby ensuring the wellbeing of the Pick n Pay Medical Scheme.

I would like to extend a special thank you to Gary Lea, who is retiring and leaving Pick n Pay later this year. He has played a vital and critical role in the Scheme over many years, giving unwavering assistance to the Board, both as a Trustee and as Chairperson of the Investment Committee. Gary, your dedication to ensuring the ongoing viability of the Scheme is highly appreciated by all. As the Board Chairperson, and I speak on behalf of the previous Chairperson as well, thank you, Gary. We always knew we had your support, guidance and assistance.

The void you leave will be acutely felt and we will miss you in our meetings. However, we wish you well in your travels and in spending time with the family.

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In closing, the Scheme has recently embarked on a review of our service offering to our members and we have some exciting initiatives in the pipeline that will enhance the service that our members receive. We are excited to be able to elevate your Scheme experience and to further partner with you on your health journey. We look forward to introducing these initiatives in the coming months.



**HELEN DE LIGHT**  
CHAIRPERSON