



Medical scheme

**MINUTES OF THE TWENTIETH ANNUAL GENERAL MEETING
HELD ON THURSDAY, 9 JUNE 2016 AT 13:00 IN THE MAIN BOARDROOM, SECOND FLOOR, CORPORATE
BUILDING, PICK N PAY OFFICE PARK, 101 ROSMEAD AVENUE, KENILWORTH**

MEMBERS IN ATTENDANCE: 22 (including at video conferencing venues in Johannesburg and Durban); nine proxies

PRESENT

Helen de Light (HdL)	Member-elected Trustee (Chairperson)
Erna Vause (EV)	Member-elected Trustee (Deputy Chairperson)
Gary Lea (GL)	Employer-appointed Trustee
Penny Gerber (PG)	Employer-appointed Trustee
Ryan Johnson (RJ)	Member-elected Trustee (via video conference)
Vusani Ramakuela	Employer-appointed Trustee

BY INVITATION

Amile Visser (AV)	Principal Officer
Kashiefa Martin (KM)	Deputy Principal Officer
Dr Martin Bailey (MB)	Medical Advisor
Mr M Mareverwa	NMG
Badrodin Hamdulay (BH)	Metropolitan Health
Alison Brandes (AB)	Metropolitan Health
Sabier Martinus	Metropolitan Health
Frances Herbst (FH)	Metropolitan Health

APOLOGIES

No apologies were tendered

1. OPENING AND WELCOME

The Chairperson opened the meeting, welcomed all present in person and those joining by way of video conference.

The Chairperson confirmed that a quorum was present.

An apology was tendered by the Chairperson for the late distribution of the meeting packs. Ms Vause proposed that the meeting continue as scheduled. This proposal was seconded by Ms De Aguiar and unanimously accepted by all members in attendance.

Mr Marsden raised a concern that the annual general meeting (AGM) documents were very complicated, having spent considerable time studying the documents. Mr Marsden enquired why the AGM notices could not be distributed earlier in the year, as the financial year had ended on 31 December 2015 and, in comparison, mentioned that Pick n Pay's financial results for the year ended 31 December 2015 had been published much earlier than the Scheme's financial results. The Principal Officer explained that, due to the four-month period that is allowed for claims to be submitted, the financial statements could only be finalised after April to allow for claims up to and including December. This, combined with the time required for the preparation of the financial statements and the auditor's approval, resulted in the AGM taking place in June. The Principal Officer also confirmed that these timelines met with the requirements of the Council for Medical Schemes.

Continued overleaf

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2. MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 11 JUNE 2015

Ms Vause proposed that the minutes of the 2015 AGM, as distributed to members prior to the AGM, be approved and adopted. The Principal Officer confirmed that the minutes of the 2015 AGM were correct. The minutes were subsequently adopted and signed by the Chairperson.

3. ANNUAL REPORT OF THE CHAIRPERSON OF THE BOARD OF TRUSTEES

The Chairperson presented the annual report, which had been circulated to members prior to the AGM as part of the meeting pack, drawing specific attention to various items, which included:

- the on-going commitment of the Scheme to ensuring that members receive appropriate healthcare funding at competitive rates without compromising quality of care;
- that the Trustees remain committed to ensuring the financial viability of the Scheme;
- the great benefit derived by the Board of Trustees from the introduction of the various sub-committees, who are able to discuss matters in-depth and provide valued feedback and recommendations to the Trustees;
- MRI/CT scan benefits would no longer be paid from medical savings accounts (MSAs), but from out-of-hospital benefits, subject to a R1 500 co-payment. The Chairperson also confirmed that claims for MRI/CT scans that were incurred during 2016 and paid for from members' MSAs would be re-processed and, where relevant, be paid back into members' MSAs.

Following a request by the Chairperson, the Deputy Chairperson, Ms Vause, presented an overview of the annual financial statements for the year ended 31 December 2015. Ms Vause drew specific attention to the claims expenditure which during 2015 had exceeded contribution income by R7.5 million more than in 2014. Given the increased claims experience, the Scheme experienced a deficit of R3.5 million, which was offset by the sale of assets, thereby resulting in a surplus of R19.7 million for the 2015 financial year.

The Chairperson requested Mr Lea to provide feedback regarding the Investment Committee's performance during 2015. Important points included:

- The Investment Committee consists of five Trustees with relevant expertise who meet regularly with the actuaries and investment managers.
- The Committee deems it critical to invest in a diversified portfolio.
- The weighted average return on investment for 2015 was 7.2%.
- Changes to the investment portfolio were introduced as a means of de-risking the capital invested. These changes included a reduced investment in equities, the introduction of local bonds into the portfolio and also a reduction in the cash invested.

4. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Having confirmed that the annual financial statements had been accepted by the Board of Trustees as per a recommendation from the Audit Committee and external auditors, the Chairperson invited members to pose questions regarding the financial statements for consideration and discussion.

The following concerns were raised by members and answered by the Board of Trustees and Principal Officer:

Question/enquiry: Mr Marsden expressed concern regarding the Board's decision to reduce the percentage of contributions allocated to MSA from 25% in previous years to 20% with effect from 1 January 2016. Mr Marsden stated that Trustees had a fiduciary duty to protect the interests of members and he did not believe that this decision had been made in the best interests of members. Mr Marsden also affirmed his belief that the communication to members stating that the percentage of contributions that are allocated to MSAs had been reduced in order to keep contribution increases to a minimum had been misleading, because the reduction in the MSA was effectively an additional cost to members, just in a different guise.

Response: The Trustees responded by stating that during 2015 the Scheme had experienced an increase in the number of high-cost claims, which had resulted in a significant deficit at the end of 2015. It was vital for the Scheme to take measures to reduce the deficit in 2016. Two scenarios had been considered to achieve this, i.e.:

- a significant increase in members' contributions; or
- reducing the allocation of members' contributions to MSA.

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4. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

As part of the 2016 benefit design, the Trustees had reviewed the impact of both scenarios. As a minimal number of members fully utilise their savings each year, it was agreed that reducing the percentage of contributions allocated to MSA would have the least negative effect on members.

Question/enquiry: How frequently is the performance of the investment managers reviewed?

Response: The Investment Committee reviews the performance of all investment managers at each Investment Committee meeting. These meetings are held four times per annum.

Question/enquiry: Why was Investec given seven years before funds were moved to a better-performing investment manager?

Response: Funds were transferred from Investec over a two-year period, with the final amount having been transferred during 2015.

Question/enquiry: Why does the Scheme hold investments that do not comply with the Medical Schemes Act 131 of 1998? (See page 16 of the annual financial statements.)

Response: As per Regulation 30 of the Medical Schemes Act, only 40% may be invested in equities. The Scheme annually requests an annual exemption from the Council for Medical Schemes regarding this regulation and has till now been granted exemption. It is a standard requirement that any non-compliance be declared in the annual financial statements, irrespective of whether exemption had been granted.

Question/enquiry: Given the Scheme's financial losses of the past two years, what has been done to avoid losses during the 2016 financial year?

Response: Whilst every effort is made to minimise a negative financial impact on the Scheme, including a budget that includes the use of some of the Scheme's reserves, high-cost claims cannot be predicted and therefore the financial impact can only be assessed after the financial year has ended. This is common to all medical schemes.

Question/enquiry: Has a contingency plan been drafted to protect the Scheme's reserves, given the possible downgrading of South Africa's international credit rating?

Response: The Scheme's reserves have been moved from equity to bonds, which offer better security in terms of capital.

Mr Lea proposed that the annual financial statement be accepted. The proposal was seconded by Mr T Joffe.

5. CONFIRMATION OF THE DISPUTES COMMITTEE

The Chairperson noted an error in the notice of the AGM, as distributed prior to the meeting – it did not reflect the correct members of the Disputes Committee. The Disputes Committee members were confirmed as follows:

- Ms M Mannion;
- Mr M Marsden;
- Mr G Jones; and
- Ms M Magnussen.

The Chairperson requested that these persons be retained as the Disputes Committee for the forthcoming year. This proposal was unanimously accepted.

6. APPOINTMENT OF THE EXTERNAL AUDITORS

Ms Vause proposed that the Scheme renew the appointment of KPMG as the Scheme's auditors for the financial year ending 31 December 2016. Ms Gerber seconded the proposal, which was duly adopted.

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7. GENERAL

The Chairperson established that no questions had been received by the Principal Officer prior to the meeting.

8. CLOSURE

There being no further questions from members present and no further business for discussion, the Chairperson thanked all present for their attendance and participation and declared the meeting closed at 13:40.

CHAIRPERSON

DATE