



## Medical scheme

**MINUTES OF THE TWENTY-FIRST ANNUAL GENERAL MEETING (AGM)  
HELD ON THURSDAY, 25 MAY 2017 AT 13:00, IN THE MAIN BOARDROOM, SECOND FLOOR,  
CORPORATE BUILDING, PICK N PAY OFFICE PARK, 101 ROSMEAD AVENUE, KENILWORTH**

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**MEMBERS IN ATTENDANCE:** 35 (including at video conferencing venues in Johannesburg and Durban); no proxies were received

### PRESENT

Helen de Light (HdL)	Member-elected Trustee (Chairperson)
Erna Vause (EV)	Member-elected Trustee (Deputy Chairperson) (via video conference)
Gary Lea (GL)	Employer-appointed Trustee
Vusani Ramakuela (VR)	Employer-appointed Trustee
Ryan Johnson (RJ)	Member-elected Trustee
Vaughn Pierce (VP)	Alternate Member-elected Trustee

### BY INVITATION

Amile Visser (AV)	Principal Officer
Pam Botha (PB)	Deputy Principal Officer
Rod Leerkamp (RL)	NMG
Henri Dowling (HD)	NMG
Badrodin Hamdulay (BH)	MMI Health
Alison Brandes (AB)	MMI Health
Sabier Martinus (SM)	MMI Health
Carmen Cozette (CC)	MMI Health
Frances Herbst (FH)	MMI Health

### APOLOGIES

George Jones	Member
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## 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 and in particular the packs distributed by post. Mr Lea proposed that the meeting be convened. This proposal was seconded by Mr Pierce and unanimously accepted by all members in attendance.

Following a statement by the Chairperson that the Trustees had decided to effect a change to Scheme rule no 27.1 Annual General Meeting, the Principal Officer provided a summary of the timeline and processes required to finalise and submit accurate annual financial statements and the impact this has had on scheduling the AGM each year.

*Continued overleaf*

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**1. OPENING AND WELCOME (CONTINUED)**

In response to Mr Marsden's objection to the proposed rule amendment, the Principal Officer responded 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. The time required for the preparation of the financial statements, obtaining the auditor's approval, as well as the required notification period to the Council for Medical Schemes (CMS) and to members had led the Board of Trustees to change the date of the AGM to 15 July each year. The Principal Officer also confirmed that these timelines met with the requirements of the CMS. Mr Marsden asked whether draft annual financial statements could be submitted to the CMS, with the final audited annual financial statements being submitted at a later date. Mr Leerkamp confirmed that the CMS did not allow for double submission of annual financial statements.

**2. MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 9 JUNE 2016**

Ms Livingstone proposed that the minutes of the 2016 AGM, as distributed to members prior to the AGM, be approved and adopted. This proposal was seconded by Mr Johnson. The Principal Officer confirmed that the minutes of the 2016 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 Trustees' ongoing commitment to ensuring the financial viability of the Scheme, while members continued to receive appropriate healthcare funding;
- that the Scheme had remained financially sound with a solvency ratio of 99.2% as at 31 December 2016;
- that the Board of Trustees, in conjunction with the sub-committees, would continue to monitor legislative developments closely to pre-empt and minimise the impact on the Scheme and its members;
- that the Primary Option had been introduced at the request of the members as from 1 January 2017 with a low uptake to date;
- that the unpredictability of the ever-changing healthcare market and the volatility of year-on-year claims needed to be factored in when considering annual contribution increases;
- as from 1 January 2017, Metropolitan Health, now known as MMI Health, had migrated to a new operating platform that had led to some issues in terms of claims payments and the issuing of claims statements and membership cards. MMI Health had apologised for the inconvenience caused during this transition and had assured the Trustees that things would be back to normal very shortly.

Following a request by the Chairperson, Mr Lea, Chairperson of the Investment Committee, presented an overview of the annual financial statements for the year ended 31 December 2016 and provided feedback regarding the Investment Committee's performance during 2016.

Mr Lea referred to the two-page report on investments that had been circulated to members prior to the meeting. The following salient points in the report were noted:

- the Board of Trustees had mandated the Investment Committee to monitor the investment performance and risk management of the Scheme's investments;
- the rate of return, being a target set by the Board of Trustees for the Investment Committee, had been set at the rate of inflation plus 5%;
- the Investment Committee, together with the investment consultants (Willis Towers Watson), had compiled a strategic asset allocation;
- to earn above the rate of inflation plus 5%, assets needed to be invested in equities, as this historically provided higher returns;
- the strategic asset allocation for the long-term assets was noted as 30% in South African cash; 10% in South African bonds; 5% in listed property; 7% in international bonds and 48% in South African equities;
- the Investment Committee also invested members' savings account funds in a money-market fund that had earned 8.1% in 2016; and
- the overall returns achieved in 2016 had been 5.4%, which was disappointing; this low return had been affected by the equity market having been very volatile over the past year, with only a 3% return having been achieved on equities;

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**3. ANNUAL REPORT OF THE CHAIRPERSON OF THE BOARD OF TRUSTEES (CONTINUED)**

- 2016 had been the second year during which equities had underperformed; however, the Scheme invested on a long-term basis. Over the past five years the average return per annum achieved on equities had been 14% with various factors, including local politics, affecting the market.

In response to Mr Marsden's query regarding the portfolios of the three investment managers, Mr Lea invited Mr Marsden to continue the conversation regarding the finer details of the investment portfolios after the meeting, which Mr Marsden accepted.

The Chairperson noted that Ms Gerber had stepped down from her position on the Board due to work commitments. Special thanks were extended to Ms Gerber for her contribution, passion and dedication to the Scheme during her time as a Trustee and committee member.

**4. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

No questions were posed or any concerns raised by members regarding the annual financial statements for the year ended 31 December 2016.

Mr Jakoet proposed that the annual financial statements be accepted. The proposal was seconded by Mr Clayton.

**5. CONFIRMATION OF THE DISPUTES COMMITTEE**

The Principal Officer advised that Mr G Jones had withdrawn from his position on the Disputes Committee and that a vacancy therefore existed. The Chairperson explained the responsibilities of Disputes Committee members and invited nominations. Mr Marsden nominated Mr C Vlok to serve on the Disputes Committee. Following Mr Vlok's acceptance of the nomination, the Chairperson declared the Disputes Committee to be constituted as follows:

- Ms M Mannion;
- Mr M Marsden;
- Mr C Vlok; and
- Ms M Magnussen.

**6. APPOINTMENT OF THE EXTERNAL AUDITORS**

Ms Livingstone proposed that the Scheme renew the appointment of KPMG as the Scheme's auditors for the financial year ending 31 December 2017. Mr Pierce seconded the proposal, which was duly adopted.

**7. GENERAL**

The Chairperson enquired whether any questions had been received by the Principal Officer prior to the meeting. The following questions, which had been submitted prior to the meeting, were posed by Mr Thomas and Mr Marsden.

**Enquiry/question:** Why is the Administrator slow to respond to queries?

**Response:** The Principal Officer advised that the Administrator had recently appointed Ms Carmen Cozette specifically to address member queries. The Principal Officer undertook to provide the Administrator's contact details for queries to Mr Jacobs.

**Enquiry/question:** Claims statements are unclear and more clarity is required, particularly regarding the savings account section of the statements.

The Principal Officer undertook to provide the Administrator's contact details for queries to Mr Jacobs, including for enquiries about claims statements.

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**7. GENERAL (CONTINUED)**

**Enquiry/question:** Can the financial year of the Scheme be changed in a similar manner to a company tax year?

**Response:** The Principal Officer confirmed that the CMS required all medical schemes to operate from 1 January to 31 December.

**Enquiry/question:** Would the Scheme consider a reinsurance policy to protect itself from the high costs of modern medicines and treatment?

**Response:** Mr Lea, via Mr Leerkamp, confirmed that this was not possible for medical schemes. Mr Leerkamp also stated that it would be unlikely for the insurance industry to offer a suitable policy due to the unpredictability of costs related to modern medicines and treatment.

**Enquiry/question:** In light of the high solvency ratio of the Scheme, would the Scheme consider a below-inflationary increase in contributions? Had the 8.5% increase effected on 1 January 2017 been necessary?

**Response:** The Principal Officer stated that medical schemes are not permitted to make financial losses on an ongoing basis. The Trustees therefore decided to adjust the annual contribution increase and medical spending account (MSA) allocation so as to not affect anybody in a negative manner. High medical scheme benefit users would be affected most by the increase, as they rely on their MSAs the most. One of the reasons for adjusting MSA allocations had also been to encourage members to improve the manner in which they managed their MSAs.

Mr Lea assured members that the Trustees had given careful consideration to the contribution and MSA changes in 2017 and, together with the appointed consultants, would continue to consider the financial health and the longevity of the Scheme whenever such decisions are required.

**Enquiry/question:** Would the Scheme or the employer consider subsidising the monthly contributions of pensioner members?

**Response:** The Chairperson stated that any subsidisation of contributions would be a company/employer matter and could not be decided on by the Scheme's Board of Trustees. Mr Jakoet, in his capacity as a company representative, stated that this had previously been articulated at a company meeting and that an answer had been provided to Mr Marsden. Mr Jakoet undertook to request that the matter be addressed by the employer at the next AGM.

**8. CLOSURE**

There being no further questions from members who were present and no further business for discussion, the Chairperson thanked all present for their attendance and participation and declared the meeting closed at 14:11.

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**CHAIRPERSON**

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**DATE**