

**PICK N PAY MEDICAL SCHEME
CHAIRPERSON'S REPORT
for the year ended 31 December 2023**

As Chairperson of the Board of Trustees, I have pleasure in presenting my report for the year ended 31 December 2023.

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 132,2% as at 31 December 2023. These reserves are well in excess of the legislated targets, but appropriate for the long-term sustainability of our Scheme.

Legislative developments, including the National Health Insurance (NHI), are being closely monitored on a continuous basis with the aim to pre-empt and minimise the impact on the Scheme. The issues around NHI and its risks have been debated and discussed with the various consultants and the Board will continue to keep a close eye on any future developments in this regard.

Financial performance

During 2023 the Scheme paid out R301,461,022 in claims and claims-related expenses. The Trustees, as well as the Administrator and actuaries, continue to keep a close eye on claims expenditure.

The reserve ratio of 132,2% remains higher than the Council for Medical Schemes requirement, but can be attributed mainly to the significant loss in membership during 2023. Should membership not have decreased so significantly, the reserve ratio would have been reduced substantially.

Including investment returns during the year and, together with the higher-than-expected claims expenditure and taking into consideration the loss of members as a result of the Company's restructuring exercises, the Scheme made a net deficit of R5,2 million for the year ended 31 December 2023. 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 2023 is provided in your Annual General Meeting pack. 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 requires 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 significantly during 2023 due to company restructuring. A total of 968 principal members left the Scheme between January and December 2023. The average age of beneficiaries increased to 32.4 and the pensioner ratio increased to 5.5%.

Continued overleaf

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for the year ended 31 December 2023 (continued)**

Benefit changes

To keep contribution increases as low as possible, the Board decided to keep all benefits the same for 2023, but approved an increase of 6.5% 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.

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 rising costs of living to ensure that the Scheme remains financially viable for years to come. The contributions were increased by 6.5% on the Primary Option and 7.5% on the Plus Option in 2023. 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 6.5% on both options in 2023.

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.

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, the Scheme's Principal Officer for the year ending 2023 – Pamela provided our members with exceptional service during her time as Principal Officer and will be missed by us all;
- Ms Dawn Theron, our newly appointed Principal Officer, who joined our Pick n Pay Medical Scheme family on 1 May 2024;
- our colleagues on the Board of Trustees and the various sub-committees for their commitment, time and leadership;
- Mr Gary Lea for his ongoing commitment to the Scheme and for agreeing to continue to serve as Chairperson of the Investment Committee for another year;
- 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 – 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 valued-added services 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.



**HELEN DE LIGHT
CHAIRPERSON**