

**WITBANK COALFIELDS MEDICAL AID SCHEME****PRIVATE & CONFIDENTIAL**

**MINUTES OF THE EIGHT THIRD ANNUAL GENERAL MEETING HELD IN THE BOARDROOM OF THE SCHEME, CNR OR TAMBO ROAD AND SUSANNA STREET, WITBANK, ON MONDAY, 23<sup>rd</sup> APRIL 2018 AT 13H00.**

**PRESENT: -**

O Maritz	(Chairperson)
M Dugmore	Member
CD Logan-Delagey	Member
JC De Carvalho	Member
JA de Jager	Member
L Burger	Member
H Schoeman	Member
MP Barnes	Member
F Kruger	Member
AD de Jager	Member
C Ballard	Member
A Tuck	Member
BG Fisher	Member
RA Kruger	Member
KA Lourens	Member
J Snell	Member
Q Botha	Member
L Marais	Member
E Cruger	Member
GJ Smith	Member

**IN ATTENDANCE: -**

R Booyens (Principal Officer)	WCMAS
C Pretorius (Accountant: Fin & Admin)	WCMAS
M Wepener (Supervisor: Admin & Fin)	WCMAS
A Moulder (Liaison Officer)	WCMAS

**BY INVITATION: -**

S Eickers (Auditor)	PWC (PricewaterhouseCoopers Inc.)
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**APOLOGIES: -**

E Wiese	Member
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The Chairperson welcomed the members to the meeting and in particular the Scheme's auditors.

1. **NOTICE OF THE MEETING**

The notice convening the meeting, which had been circulated, was taken as read and there being a quorum, the Chairperson declared the meeting open.

2. **MINUTES**

The minutes of the Eighty-second Annual General Meeting of the Scheme held on Monday, 24<sup>th</sup> April 2017 in the boardroom of the Scheme, Cnr OR Tambo Road and Susanna Street, Witbank, which had been circulated, was taken as read and confirmed as correct.

3. **REPORT OF THE BOARD OF TRUSTEES**

The Chairperson presented the Eighty-third Annual Report together with the audited financial statements and statistics required by the Medical Schemes Act and the Rules to the meeting. He pointed out the standard format of information is as required from all Schemes by the Registrar.

He stated that during 2017 the Scheme maintained the four product options available being the Comprehensive, Midmas, Ntsika and Yebomed Options. The Yebomed Option is used by the Anglo American employees which entails the risk transfer arrangement. The two new options Midmas and Ntsika Options which were effective from 1<sup>st</sup> January 2017, has gained some members and more growth is expected during 2018. Active marketing is continuing and undertaken by the Scheme to ensure that consistent sustainable growth is achieved.

**Management of insurance risk:** The Chairperson explained that the primary insurance activity carried out by the Scheme assumes the risk of loss from members and their dependants that are directly subject to the risk which relates to the health of the scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Scheme manages its insurance risk through appropriate benefit limits, approval procedures for transaction that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of risk transfer arrangements and the monitoring of emerging issues.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The theory or probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims are greater than expected.

**Operational overview:** Some high claims were honoured in the year under review, but overall, claims are reasonable and in line with recent trends. There was also an increase in high cost medical cases with significant increases in pathology and supplementary services. The scheme experienced a decline in membership as a result of Exxaro group's withdrawal as reported in the prior year which was finalised on 31 December 2016. The Scheme also welcomed two new employer groups to our association, namely, Buffalo Coal and Mantella Trading.

The operating results of WCMAS are set out in the annual financial statements, and the trustees believe that no further clarification is required.

**Operational Statistics:** The Chairperson reported that the average number of members had decreased from the previous year mainly due the withdrawal of the Exxaro group as was mentioned earlier. On the Comprehensive Option, the average income on contributions increased by 7.5% from R3,450 to R3,710 per member per month.

The accumulated funds ratio has increased by 9.8% for this period mainly as a result of the decline in membership and is still significantly over the minimum requirement of 25%.

**The Investment Committee** is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and responsibilities and consists of three members, supported by two senior staff members of the Scheme. Two of the Investment Committee members are members of the Board of Trustees. WCMAS appointed Willis Towers Watson as their Investment advisors.

**The Investment Strategy:** The Scheme's investment objectives are to maximize the return on its investments on a long term basis at minimal risk. The investment strategy takes into consideration the constraints imposed by legislation and the strategies of the Board of Trustees with the following mandate: -

- Achieve a return that exceeds consumer price inflation (CPI) by 3.0% p.a. (net of fees) over a three year period, but with low risk of losing capital over a 12 month period,
- The savings account trust funds are to be ring-fenced and invested separately in liquid funds and net returns on these funds are allocated to savings account balances of members,
- Liquidity levels are maintained as required by the Scheme,
- Investments are only made in highly rated institutions with moderate risk,
- Investments are made in compliance with the regulations of the Medical Schemes Act, and
- Risk assessments are performed with feedback to the Board of Trustees with recommendations on the risk identified.

**Remuneration Committee:** The Remuneration Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and responsibilities and consists of four members who do not receive remuneration for attending meetings. Three of the committee members are members of the Board of Trustees. The committee's primary objective is to develop, manage and monitor all remuneration and remuneration related matters by recommending appropriate remuneration values and strategies to the Board for approval and by doing so to ensure the objectivity and credibility of the remuneration and bonus system (staff only), for the board of trustees, sub-committees, principal officer and other members of management and staff.

**Audit & Governance Committee:** An Audit & Governance Committee exists in accordance with the provisions of the Act. The committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The committee consists of seven members of which three are members of the Board of Trustees. In accordance with the provisions of the Act, the primary responsibility of the committee is to assist the board of trustees in carrying out its duties relating to the scheme's accounting policies, internal control systems, financial reporting practices and corporate governance. The majority of the members, including the chairperson, should not be officers of the Scheme. The external auditors report formally to the committee on critical findings arising from audit activities.

**Matters non-compliance:** The Scheme places high priority to meeting requirements set by the Medical Schemes Act and other legislation and regulations. In this regard, the Scheme subjects itself to internal audit as well as independent external audits to ensure compliance. Due to this approach, the Scheme does not focus on one area for compliance only, but on all areas that affect the Scheme and ensure compliance in this way.

The following are non-compliances with the Medical Scheme's Act and Rules that arose during the year under review. Even though the Scheme did not incur any regulatory penalties, sanctions or fines for any contraventions, the details of each are disclosed as follows:-

- Contributions received later than 3 days after payment became due (Section 26(7)):-  
Contributions are payable by members within 3 days of due date. Occasionally payments are received after the 3<sup>rd</sup> of the subsequent month for some of the employer groups. While some payments were not always received timeously, all commitments were met soon after due dates. The credit control department follows up on outstanding amounts on a regular basis.
- Claims paid in excess of 30 days from receipt S 59(2):-  
A small percentage of claims were not paid within 30 days as prescribed by the Act. Particularly between December and January the number of days between the receipt of a claim and the

payment could amount to 38 days, causing the Scheme not to be fully compliant. The scheme normally performs month end runs on the second last business day of the month.

- A benefit option must be self-supporting S 33(2) (b):-  
Section 33(2)(b) of the Act requires that each options is self-supporting in terms of membership and financial performance and be financially sound. The Board of Trustees believe that the Scheme continues to be adequately priced to meet claims expenditure and benefit obligations. The Scheme has excess reserves and valuable investment returns that provide a layer of protection from large membership risk profile changes. The actuarial valuation on the Scheme's Options as performed by 3One Consulting Actuaries for 2018 confirmed the above.
- Investments in an administrator, holding company of the administrator or any employer group. S 35(8) (a,c & d):-  
A medical scheme shall not invest in the business of an administrator of a medical scheme or any holding company of an administrator or any related employer group. The scheme has indirect underlying investments in unrelated listed administrators of medical schemes, amounting to 0.5% (2016: 28%) in unrelated holding companies of administrators of 0.13% (2016: 0.64%) and in related listed employer groups of 0.44% (2016:0.07%) (Anglo American PLC 0.42%; Glencore PLC 0.02%) as part of total investments held through Unit Trust portfolios and Linked Fund policies. The Board of Trustees is of the opinion that in principal this non-compliance is not a risk to the Scheme since the Scheme is not related to any of the administrators in which investments are held and no direct influence is exercised by any of the employer groups by investing in these financial instruments. The Council for Medical Schemes has granted WCMAS exemption.

After discussion it was moved and seconded that the Annual Report for 2017 be approved.

#### 4. **AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

The Chairperson presented the audited financial statements in detail to the meeting which was received with approval.

#### 5. **UNIT PROFITABILITY REPORT AS AT 31 DECEMBER 2017**

The Chairperson presented the unit profitability report to the meeting.

He reported that the Scheme's reserve fund as per Regulation 29 was R476,738,075 (2016) which had increased to R488,943,847 in 2017. He said that the accumulated funds ratio/solvency ratio had increased by 9.8% from 111.8% in 2016 to 121.6% in 2017 and is still significantly over the minimum 25% required.

After discussion, it was moved and seconded that the unit profitability report for 2017 be approved.

#### 6. **AUDITORS**

##### 6.1 **AUDITORS' REPORT**

Mr S Eickers from PWC, said that they have issued an unqualified report with no significant matters raised and no other non-compliance matters other than what the Chairperson had stated in his report. The report had been discussed in detail with members of the Scheme's Audit & Governance Committee and the Board of Trustees.

He also stated that it was the Auditor's opinion that the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Two key audit matters to report on remain the same as in the previous year of which one being the *claims incurred but not recorded*. Calculations and estimates need to be done and

the auditors confirmed that the actuaries were satisfied with the assumptions employed by the Scheme. The second matter was *the Scheme risk transfer arrangement for the Yebomed Option* which is a capitation fee structure. The Scheme pay the preferred provider network to provide a full range of benefits to all Yebomed members. The Auditors were of the opinion that the risk transfer arrangement is treated correctly by the Scheme.

He concluded that there was some scope changes due to the addition of the two new options and even the work that had to be done with Universal Health Care, their report fairly represented the financial position of the Scheme and that records were kept strictly according to accounting principles and that no material breakdown in the functioning of the key internal controls and systems during the year occurred which required the immediate attention of the Board of Trustees.

The Chairperson thanked Mr Eickers and his staff for their sound audit and report.

## 6.2 **AUDIT FEE FOR 2017**

The audit fees for audit and other services for the 2017 financial year was R634,532 (2016: R527,866).

After discussion the meeting approved the audit fees.

## 6.3 **REMUNERATION OF TRUSTEES**

With effect from 1<sup>st</sup> June 2012, Trustees are remunerated for meeting attendance and travel costs. Relevant training courses are paid for by the Scheme.

The proposed increase of 5.5% for 2018 was tabled for discussion and approved as follows:-

- Board of Trustees, Audit & Governance and Investment Committee members – R1,692
- Chairperson – R2,537

The above payment will also apply to any special meetings or training.

After discussion the above was approved with an inflation related increase for 2018.

## 7. **APPOINTMENT OF AUDITORS FOR 2018**

In terms of Rule 25.1 (Section 36 of the Act), auditors must be appointed to hold office until the next Annual General Meeting.

The Chairperson called for nominations and PWC was unanimously re-appointed as auditors of the Scheme for 2018.

## 8. **ELECTION OF OFFICE BEARERS**

### 8.1 **MEMBERS APPOINTED BY EMPLOYER GROUPS ONTO THE BOARD OF TRUSTEES**

The Chairperson said that in terms of Rule 18.3, fifty percent (50%) of Trustees shall be appointed by Employer Groups.

It was noted that the following new people have been appointed to serve on the Board of Trustees for two years until the Annual General Meeting to be held in 2020:-

<b><u>Employer Group</u></b>	<b><u>Member</u></b>	<b><u>Expires</u></b>	<b><u>Alternate</u></b>	<b><u>Expires</u></b>
Seriti Coal	Mr T Masike	2020	Mr A Harty	2020

It was approved that the nominated persons would serve on the Board of Trustees as Management Appointees for two (2) years.

## 8.2 **MEMBERS ELECTED ONTO THE BOARD OF TRUSTEES**

The Chairperson said that in terms of Rule 18.2, fifty percent (50%) of Board of Trustee members must be elected by members. He pointed out that the following member's two year terms of office expired at this Annual General Meeting:-

- Ms C Logan-Delagey

The Chairperson advised that one (1) position were available and the following member was nominated for election to serve on the Board.

- Mr R Mofokeng

After voting the following members were elected and re-elected respectively to service on the Board of Trustees as an Member Elected trustee for a period of two (2) years until the Annual General Meeting to be held in 2020:-

- Mr R Mofokeng
- Ms C Logan-Delagey

## 8.3 **CO-OPTED MEMBERS TO SERVE ON THE BOARD OF TRUSTEES**

It was noted that the following members were co-opted by their respective Unions to serve on the Board of Trustees with effect from 23<sup>rd</sup> April 2018 for a period of 12 months:-

<b><u>Member</u></b>	<b><u>Alternate</u></b>	<b><u>Representing</u></b>
• Mr MP Barnes	-	UASA
• Mr A Nienaber	-	SACMA
• Mr M Motubatse	-	NUM

## 8.4 **APPOINTMENT OF THE DISPUTES COMMITTEE**

In terms of Rule 28.3, a Disputes Committee, to hold office for one year must be appointed. At least one member must have legal expertise.

- Messrs F Kruger, E Wiese and attorney Mr M Botha were available for re-appointment and appointment respectively.

It was approved that Messrs Kruger, Wiese and Botha would now serve on the disputes committee for one (1) year.

## 9. **DISCUSSION UNDER GENERAL**

### 9.1 **IMPACT AND RISK TO THE SCHEME**

Mr B Fisher noted the impact that the withdrawal of Exxaro from the Scheme had and raised a question pertaining to what the possible impact and risk the Seriti Coal Group could have on WCMAS.

The Chairperson gave the assurance that they do not foresee any risk or impact on the Scheme.

**9.2 A WORD OF THANKS**

Mr D de Jager on behalf of the members of WCMAS expressed the appreciation to the Management and Staff of the Scheme with regards to the efficient manner in which the Scheme is been managed.

**9.3 TOP-UP INSURANCE**

Mr D de Jager raised a question on how the Scheme felt about top-up insurance policies. He further suggested that perhaps the Scheme should provide a guideline in their next newsletter to members.

The Principal Officer advised that the Scheme cannot offer a top-up insurance policy and suggested that he contact medical aid brokers who would be in a better position to assist him. She further stated that the Scheme had in a previous newsletter to members referred to top-up insurance policies.

**9.4 EXPRESSION OF GRATITUDE**

The Principal Officer thanked the Chairperson of the Board of Trustees and Committee members for their continued support and service in the running of the Scheme.

As there was no further business to discuss, the Chairperson thanked the members for their presence and participation and declared the meeting as concluded.

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**APPROVED: CHAIRPERSON**

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**DATE**