MINUTES OF THE MEETING

Forty - Ninth Annual General Meeting

DATE / TIME:	**Wednesday, 23 May 2018 at 10:00**
LOCATION:	**Auditorium, 18th Floor, 55 Marshall Street, Johannesburg**

PRESENT

Trustees

Mrs CC Elliott	Chairman (Employer Appointed Trustee)
Mr DR McCallum	Vice Chairman (Employer Appointed Trustee)
Mr DE Abramowitz	(Member Elected Trustee)
Mr GJ Preston	(Member Elected Trustee)
Mr PA Laubscher	(Member Elected Trustee)
Mr CC Mckie Thomson	(Member Elected Trustee)
Ms S Hosking	(Member Elected Trustee)
Mrs MR Farrell	(Member Elected Trustee)
Mr GAE Howell	(Employer Appointed Trustee)
Mrs B van der Bijl	(Employer Elected Trustee)
Mr J Coetzer	(Employer Elected Trustee)

Head Office

Mrs FK Robertson	Principal Officer
Mrs E Gröpp-Els	Scheme and Clinical Manager
Mrs J Friese	Communication Manager
Ms Y Landsberg	Scheme Secretary

Members of the Scheme	As per attendance register
The following proxies were received	22 in favour of the Chairman 5 in favour of Mr CC Mckie Thomson

APOLOGIES

Mr MA du Bois	(Employer Appointed Trustee)
Mrs L Sanford	(Alternate Member Trustee)
Mr J Liston	(Alternate Member Trustee)
Mr A van Esch	(Member)

WELCOME AND QUORUM

The Chairman opened the 49th Annual General Meeting and, as a quorum required 15 or more members of the Scheme to be present, declared the meeting duly constituted.

NOTICE OF MEETING

The Scheme had complied with the Scheme Rules by giving members at least 14 days' notice before the date of the meeting. The Chairman proposed that the Notice of Meeting be taken as read.

This was *agreed*.

MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING
The Minutes of the 48th Annual General Meeting held on 24 May 2017, handed to members upon arrival and published on the Anglo Medical Scheme (AMS) website, were *confirmed* by the meeting and signed by the Chairman as an accurate record of the proceedings.

MATTERS ARISING FROM THE MINUTES OF THE PREVIOUS MEETING
The Chairman noted that there were no matters arising from the previous minutes.

REPORT OF THE BOARD OF TRUSTEES, THE AUDITORS AND THE ANNUAL FINANCIAL STATEMENT OF ANGLO MEDICAL SCHEME FOR THE YEAR ENDED 31 DECEMBER 2017
The Chairman stated that a summary of the 2017 Annual Financial Statements (AFS) had been published in the April 2018 Special Edition of the MediBrief. A full set was available on the Scheme website or could have been obtained from the Principal Officer and a set was now before the members in the meeting.

The Chairman informed the meeting that the Scheme had performed reasonably under difficult economic circumstances ending on a small profit and reserves of 487%. Despite the poor investment returns, the Board of Trustees (BoT) had kept the 2017 contribution increases in line with the industry average of 11.3%, supported by a R90 million draw down from the reserves. Non-healthcare costs were well controlled at 6% of the gross contribution income.

Mr Stephen Johnston, General Manager from Discovery Health (DH) took the meeting through the salient points of the 2017 AFS. The BoT had confirmed their responsibility and integrity in presenting a fair set of Statements and was committed to a culture of Social Corporate Responsibility and the sustainability of the Scheme. The BoT had adopted and applied the principles of good governance as set out in the King Reports. The AFS had been prepared in accordance with International Financial Reporting Standards (IFRS) and the disclosures required by the Council for Medical Schemes (CMS). The Scheme had received an unqualified 'clean' audit from its Auditors, KPMG.

Mr Johnston referred to the Income Statement, noting the gross healthcare deficit of R78.3 million. The Scheme budgeted an operating deficit annually and ended the period with a net healthcare deficit of R108.3 million. He highlighted the overall better result achieved in 2017 than 2016 which, coupled with the better than budget result. The Scheme ended on a net surplus of R99.6 million in 2017.

Contributing factors were as follows:
- Hospital costs, per event, increased at a rate below the Consumer Price Index (CPI) which was largely attributable to the favourable negotiated tariff increase and the reduced hospital admission rate;
- A 4% increase in treatment of chronic conditions; and
- Administration expenses increased by only 3.6%;

The Scheme continued to contract with the previously contracted third party service providers. He noted that OneHealth and HaloCare, had been responsible for HIV disease management in 2017. DH took over this function as of 1 January 2018.

Referring to the Statement of Financial Position, Mr Johnston highlighted the increases in the accumulated funds, the members medical savings accounts (MSA) and the total Scheme funds. He noted that, due to the Constitutional Court Ruling, the reporting of the savings accounts had changed from "trust funds" to the MSA liability. There was no impact to members and the interest rate paid remained the same. Mr Johnston highlighted the solvency ratio noting the decrease seen was due to the realisation of gains on investments in 2016, whereas at the end of 2017, the Scheme held R99 million in unrealised gains, which for solvency purposes, had to be deducted from the accumulated funds.

The Investment Committee met quarterly to review the investment strategy which was to maximise the investment returns at an acceptable level of risk. Returns had trailed the benchmark but were better than budget during the period under review. Willis Towers Watson remained the Scheme's investment advisor.

The Chairman thanked Mr Johnston, and as there were no questions, proposed the report of the BoT, the report of the Auditors and the AFS for the year ended 31 December 2017, as approved by the BoT on 11 April 2018, be taken as read and adopted.

This was *agreed*.

MEMBERSHIP
The Chairman noted the Scheme membership remained stable with a minimal loss of 21 members ending the period on 9 028 members. The Managed Care Plan lost 172 members, while the Standard Care Plan and the Value Care Plan gained members. The Scheme's average age remained high at 42.9 years, when compared to the industry average age of 32.5 years as reported in the 2017 CMS Annual Report. The pensioner ratio was four times higher than that of the industry and had increased by 2.6% from 2016 to 26.19% at the end of 2017.

TRUSTEE FEES
The Chairman stated that, in line with good corporate governance, the 2017 Trustee fee increase was 5.5% in line with CPI. Employer Appointed Trustees fees were paid to the employer and pensioner Trustees received the fees in their personal capacity. The Chairman provided the detailed fee structure.

BOARD OF TRUSTEES FOR THE ENSUING YEAR
The Chairman called on the Principal Officer, Mrs Fiona Robertson, to notify the meeting of the changes to the BOT for the year under review. The list of Trustees for the ensuing year had been included in the pack handed to members upon entering the auditorium.

Mr Darren Ghavalas, the Vice Chairman, had resigned from the position of Employer Appointed Trustee and had been replaced by Mr Bob Hunt in May 2017, who held the position until the appointment of Mr Joe Coetzer in November 2017. Mr Duncan McCallum had been elected the Vice Chairman and Dr Charles Mbekeni was appointed to fill a vacant Alternate Employer Appointed Trustee position in April 2017.

ELECTION OF A DISPUTES COMMITTEE
The Chairman reported that, in terms of Rule 28.2, a Disputes Committee was required to be elected at each Annual General Meeting. Members of the Disputes Committee were not to be members of the BoT, members of a Regional Committee, employees of the administrator or officers of the Scheme. It was noted that the Disputes Committee had not been required to convene during 2017.

The following nominations had been received for the ensuing year and a short CV on each nominee had been provided in the packs handed to members upon entering the Auditorium:

Casper Badenhorst
Carol Dixon
Bob Hunt

As there were only three nominees, and three members were required to be elected in terms of the Rules, it was proposed and *agreed* that all three nominees be elected without holding a vote by way of a show of hands. The Chairman thanked the outgoing member of the Disputes Committee, Genene Barnard for availing herself during the term.

AUDITORS
KPMG had performed their function professionally and efficiently during 2017. The BoT had considered their reappointment for the 2018/9 audit in the light of the investigation into their actions by the Independent Regulatory Board for Auditors. The Trustees were concerned by the severity of the allegations levelled against them, and were not comfortable with the implication flowing therefrom, therefore determined to terminate their services.

The Scheme put the auditing services out to tender and after an exhaustive evaluation of the proposals received, the Audit Committee recommended the BoT consider PWC be appointed for the 2018/9 audit with the option of an annual renewal for a further 4 years. After a thorough interrogation of all factors, the BoT concurred with the recommendation. The Chairman proposed that PWC be appointed for the 2018/9 audit and that, in terms of section 36 of the Medical Scheme's Act, the meeting resolve that PWC be appointed the Auditor of the Scheme from the conclusion of the meeting until the conclusion of the next AGM.

The meeting resolved, by way of an overwhelming show of hands, that PWC be appointed. No member present at the meeting disagreed with the proposal, thereby the Chairman declared PWC duly appointed.

MATTERS PLACED BEFORE THE PRINCIPAL OFFICER FOR DISCUSSION
It was noted that there were no matters placed before the Principal Officer.

Mr Chris Murray (Membership Number 445531210) raised a matter. In 15 years, the Scheme's surplus account had increased but the Scheme had failed to use either the surplus, or the interest earned on it, in favour of the Scheme or its pensioners for which the employers had provisioned to control their medical costs. Added to this, he had experienced an increase in claims not covered by the Scheme.

Mr Murray stated that 2 years ago, members at the AGM were informed that the dental benefits had been improved and that they should obtain services from a list of preferred dentists. He indicated that neither his nor his wife's dentist were on the list and that the funds paid out for dentistry were less than in the previous years. He questioned the integrity of the Scheme in increasing the contributions by more than double the inflation rate, suggesting that increases should be low to remain affordable for pensioners.

In response, the Chairman explained the Scheme's reserving principle and stated that when Anglo sold many of its companies the pensioner ratio increased dramatically. As the remaining employee members could not fully subsidise the older members, the employers provided the shortfall to ensure that, over the lifetime of those pensioners on the Scheme at that time, the contributions and benefits would remain aligned with industry. The current reserves needed to increase to cover the escalation in the future medical costs to be incurred by the increasing number of pensioners. The Scheme's actuaries had factored all these aspects into their calculations and determined that the reserves would need to last approximately 35 years. The Chairman ended by stating that even though the reserves appeared huge, the Trustees, on the advice of the actuaries, exercised great care and judicious judgement in how they were used.

The Principal Officer explained that, legally, contribution income had to cover the total expenses incurred by a scheme and it had to maintain a 25% reserve. Interest earned generated little income, therefore schemes ran at a loss ratio of around 90%. This meant that about 90% of the contribution income was paid out on member claims and the balance covered the non-health costs and added to the reserves if required. Anglo Medical Scheme operated on an average loss ratio of 130%, therefore about 40% of the total claims were paid directly from the reserves and not from contribution income. Had the Scheme not had the large reserving, it would have had to have increased the contributions by about 40% for the same benefits. The comment that nothing had been given back to members was incorrect, in fact, in 2017, R90 million was given back and in 2016 around R140 million was given back.

Regarding the benefits, the Principal Officer clarified that two major changes had been made, both funded from the reserves and not contribution income. The percentage of contributions allocated to savings on the Managed Care Plan had been increased to 25% to assist members with their out-of-pocket expenses, and the hospital limit on the Standard Care Plan had been removed making hospital benefits unlimited.

In addition to the Chairman's comment, the Principal Officer indicated that the funding of the Scheme had been actuarially modelled around the year 2000, based on the then existing membership. Member demographics, including claiming patterns and ageing, were updated annually. The model had remained robust and it was expected that the excess reserves would be used up by 2045. At this point the original pensioners, to whom the promise was made, would no longer be on the Scheme. Thereafter, it was expected that the demographics and pensioner ratio would be in-line with the industry and the Scheme would function holding no more than 25% in reserve. The Principal Officer stated that, in 2017 the Scheme's long-term liabilities and assets were balanced and there was no additional money available to further subsidise contributions. Market related increases were likely to continue.

The Principal Officer responded to the dentistry question. Dentistry and optometry were the two benefits that members felt the out-of-pocket costs the most, and pensioners needed both. As the number of members who used the benefits outnumbered those who did not, contributions would need to increase by almost the same value of any benefit increase. Unless a member was subsidised, if the service was paid out-of-pocket at the time of the purchase or monthly in the form of an increased contribution, it would amount to the same and increased benefits would not assist members. The Scheme had recognised that the dental limit was low and concluded that a dental network would offer better value. Changing to a network dentist had caused some member irritation, but in general it had been well received.

Mrs Gropp-Els added that the GAP cover, now Top Up cover, had been increased from 200% to 230% which had also been funded from the reserves and was a significant benefit to members.

CHAIRMAN'S REMARKS / APPRECIATION
The Chairman thanked the administrators, Discovery Health, Committee members, Trustees, Anglo Medical Scheme Head Office staff and Consultants, NMG and Willis Towers Watson for their services during 2017.

Special thanks and acknowledgment were extended to outgoing Trustees, Mr Bob Hunt for his service following the resignation of Mr Darren Ghavalas in May 2017, until the appointment of Mr Joe Coetzer in November 2017 and welcomed the incoming Trustees indicating that they brought a wealth of knowledge and experience which would enable the Scheme to go from strength to strength.

The Chairman gave recognition to the 50-year existence of the Scheme and thanked her Board for their dedication to maintaining the high standard of benefits under difficult circumstances.

As the business on the agenda had been dealt with, and there were no further questions, the Chairman thanked all for their attendance and declared the meeting closed.

CONFIRMATION OF MINUTES

CHAIRMAN: ………………………………. DATE: …………………………………

JOHANNESBURG
22 May 2019