



NOTICE OF ANNUAL GENERAL MEETING

TO BE HELD ON 28 JUNE 2018

Including the 2017 Summarised Financial Statements

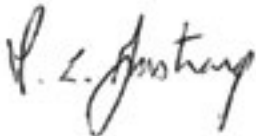
Notice of Annual General Meeting

Notice is hereby given that the 104th Annual General Meeting of Bankmed will be held on Thursday, 28 June 2018, at 17h00 at the JCC Johannesburg Country Club, 1 Napier Road, Auckland Park, Johannesburg.

Agenda

1. To read the notice convening the meeting
2. To approve the minutes of the 103rd Annual General Meeting held on Thursday 29 June 2017
3. Feedback on matters arising and general update
4. To receive and adopt the audited Financial Statements and the Annual Report of the Board of Trustees for the year ended 31 December 2017
5. To note the Bankmed Trustee Fee Policy, and approve the proposed Trustee Fee increase for 2018/2019
6. To appoint the auditors for the ensuing year
7. To transact any other business of which notice was given by 30 April 2018
8. Announcement of the newly elected members of the Board of Trustees
9. Closure

By order of the Board



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D ARMSTRONG
CHAIRMAN

MINUTES OF THE 103RD ANNUAL GENERAL MEETING OF THE BANKMED MEDICAL SCHEME

Date and time: Thursday, 29 June 2017 at 17:00

Venue: Fairway Hotel, Spa & Golf Resort, Randpark, Johannesburg

Attendees:

Bankmed Board of Trustees present:

Mr D Armstrong	Chairman
Mr EA Schaffrath	Vice Chairman
Ms J Madavo	
Mr N Nyawo	
Ms G Noemdoe	
Mr L Rathnum	
Mr T Legoete	
Mr D Mkhonza	
Mr G de Lange	
Mr J Henning	
Mr J Cresswell	

Officials in attendance:

Mr T Mosomothane	Principal Officer
Dr N Naidoo	Clinical and Operations Executive
Mr N Coghlan	Senior Manager: Finance and Risk
Mr Z Shah	Senior Manager: Communications
Ms M Bam	Senior Manager: Client Management
Ms L Diba	Senior Manager: Client Management
Dr D Alexander	Wellness & Innovations Manager

Bankmed members: 58 Principal Members

Apologies:

Bankmed Board of Trustees: Mr N Naidoo

Discovery Health: Mr S Johnston

Bankmed Members: Mr F de Jager
Mr R Gush

ITEMS MINUTED

1. OPENING, WELCOME AND ATTENDANCE

ACTION

The Chairman, Mr Danny Armstrong, welcomed all present to the 103rd Annual General Meeting ('AGM') of the Bankmed Medical Scheme ('Bankmed').

It was noted that Bankmed would be assisted by the Scheme's internal auditors, namely PwC, during the course of the proceedings. In terms of Rule 26.3 of the Bankmed Scheme Rules, 25 members are required to be present at the Annual General Meeting in order for the meeting to be deemed quorate. Ms Josette Sheria of PwC confirmed that 44 principal members were present as at 17:00 and the meeting was therefore declared quorate.

Members were reminded to address personal member queries with the Bankmed Customer Liaison Managers present at the Annual General Meeting. Queries would be attended to on a one-on-one basis. It was noted that the Customer Liaison Managers had been present prior to the Annual General Meeting and would be available for a period after the Annual General Meeting.

It was requested that members state their name and surname when asking questions during the Annual General Meeting. This was required for minute-taking purposes. In the event that the name and surname is not given, the minutes would reflect 'member'.

Attendees were provided with red and blue bands upon entering the venue. Only principal members in good standing were provided with blue bands. Only principal members in good standing would be allowed to vote, should the need arise.

The Chairman confirmed that voting for the Board of Trustees had been carried out prior to the Annual General Meeting and the results would be announced later in the evening. PwC would confirm the results.

2. TO READ THE NOTICE CONVENING THE MEETING

ACTION

The Chairman confirmed the following in respect of the notice convening the meeting:

Rule 26.2 of the Registered Rules of Bankmed prescribes that the notice convening the Annual General Meeting shall be sent to members at least 14 days before the day of the meeting.

It was confirmed that Bankmed had distributed the notice convening the Annual General Meeting from 8 June 2017. Members with an e-mail address were issued with the notice from 8 June 2017 whilst members without an e-mail address were posted a notice from 12 June 2017.

3. MINUTES OF THE 102ND AGM HELD ON THURSDAY, 30 JUNE 2016

ACTION

The draft minutes of the 102nd AGM held on Thursday, 30 June 2016 were included in the booklet for review and approval and were taken as read. The minutes were approved as a true reflection of proceedings, and could be signed by the Chairman.

Proposed by Mr Dell and seconded by Mr Goemans.

The Chairman called upon the Principal Officer, Mr Mosomothane, to lead a presentation in respect of a general Bankmed update, industry information and matters arising from the prior year’s minutes. The Principal Officer shared the following salient points by way of a presentation:

4.1. Operational and Service Progress

The Principal Officer highlighted operational and service updates given the transitional issues experienced during 2016. Significant progress had been made towards improving member perception, service delivery against service level agreements, and the overall financial position of the Scheme.

The Principal Officer made reference to figures at the end of April 2017, but would also address figures as at the end of 2016 which was the financial year under review.

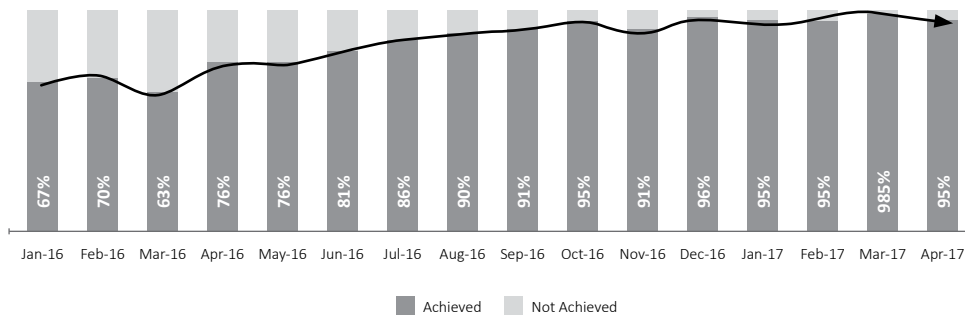
He explained key indicators in respect of the claims ratio which had increased in 2016 to a level that was considered unsustainable. He reminded the audience that the claims ratio referred to the proportion of contributions spent on claims. Benefits were still considered to be very rich whilst contributions remained competitive. He referenced the Council for Medical Schemes (CMS) annual report and confirmed that Bankmed reported amongst the highest claims ratio when compared to other medical schemes. Given that the Scheme must remain sustainable into the future, and that it is a not-for-profit organisation, action needed to be taken to manage the claims ratio within sustainable levels, whilst maintaining the adequacy of member benefits. With this in mind, clinical risk management interventions were used to mitigate claims risk, and the use of networks was useful in this regard.

Wellness days had been held across the country with the aim of proactively identifying members with medical conditions that can be treated early. The aim was to engage members and intervene early in order to improve member health.

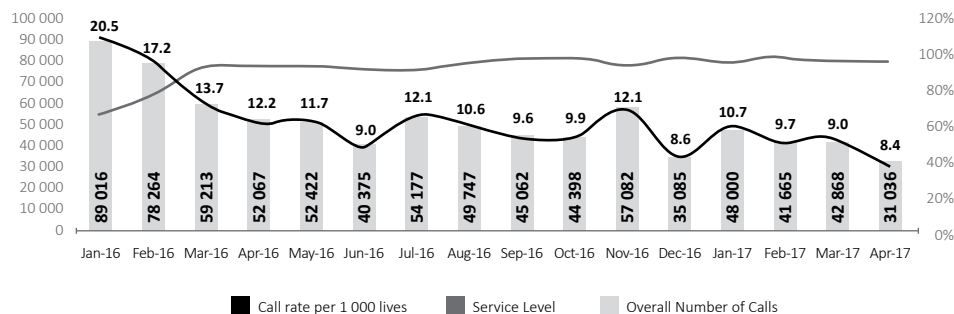
4.2 Member Sentiment

The Principal Officer highlighted the significant progress made in respect of the administrator improving service delivery relative to the agreed service level agreement, and confirmed the very stringent service level agreement deliverables in place. He indicated that only a few measurables had been extracted to show the progress made over the year. Further to this, where members had escalated issues with the Board of Trustees or the Scheme Office, the administrator had been very responsive in resolving such issues.

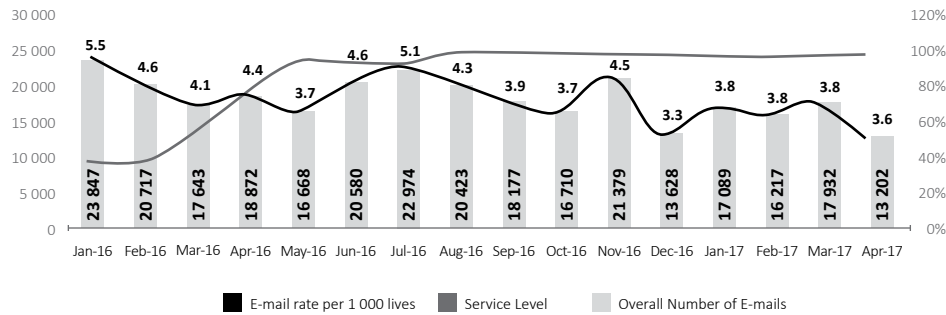
Service Delivery against Service Level Agreements



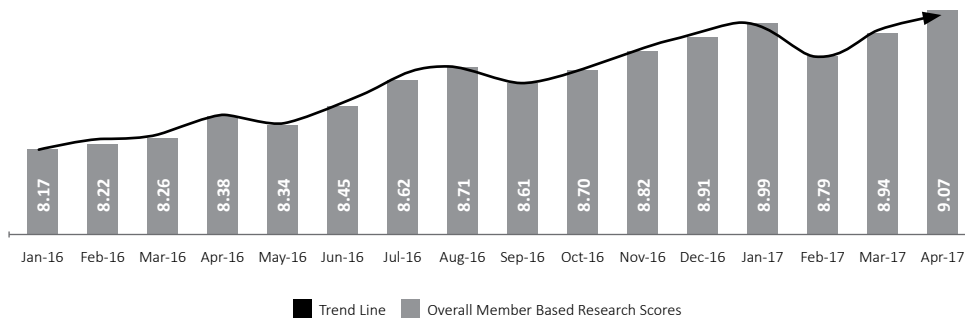
Call Volumes and Service Levels



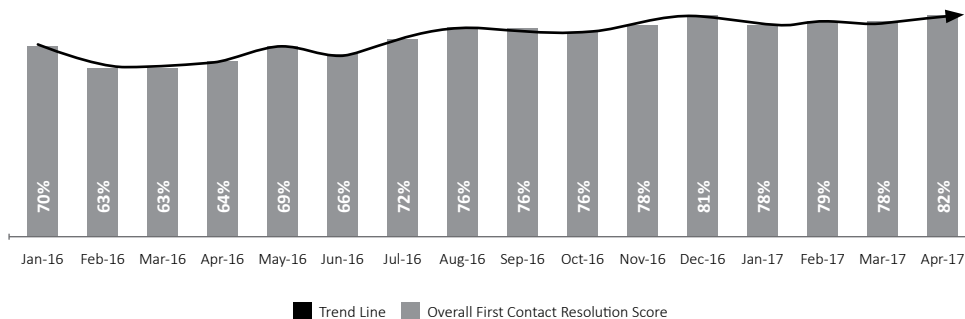
E-mail Volumes and Service Levels



Member Based Research



First Contact Resolution



Top Five Query Types

- a. Requests for In-Hospital Authorisations
- b. Queries regarding claim payments
- c. Requests for forms
- d. General inquiries
- e. Requests for membership cards

4.3 National Health Insurance (NHI)

The matter regarding the NHI and the impact on medical schemes had been raised during the 2016 Annual General Meeting. The Principal Officer confirmed that a white paper had been issued in December 2015, but no further date had been confirmed for the release of the second or final paper as yet.

Should members have read the paper, they would have noted the suggestion that there would be a very diminished role for medical schemes in the NHI environment. However, since then, further conversations had taken place and the emerging view was that medical schemes could still play a key role in the NHI. The latest apparent shift in the thinking of the policy stakeholders was encouraging, but more clarity was still required about the future role of medical schemes.

4.4 Health Market Inquiry (HMI)

The matter regarding the HMI and the impact on medical schemes had been raised during the 2016 Annual General Meeting. The Principal Officer confirmed that provisional reports were expected over the next six months and a final report by the end of 2017. Due to the volume of data that the HMI had to work with, deadlines were changed and extended on a number of occasions.

Key issues were noted:

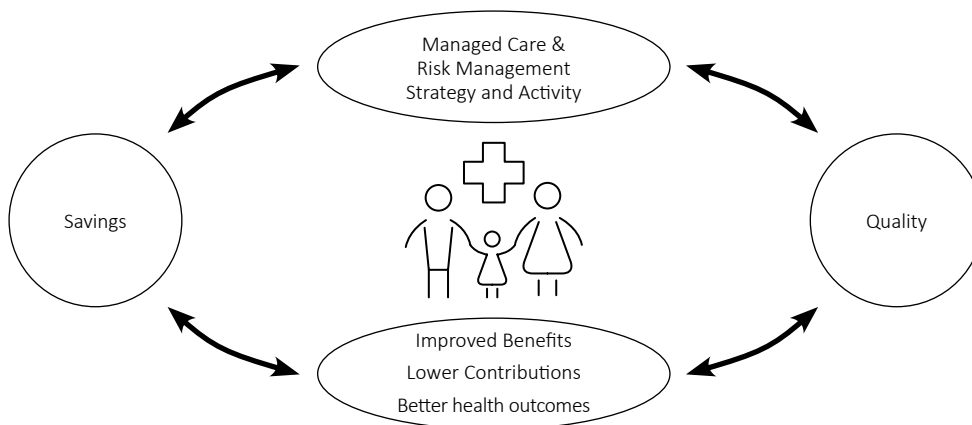
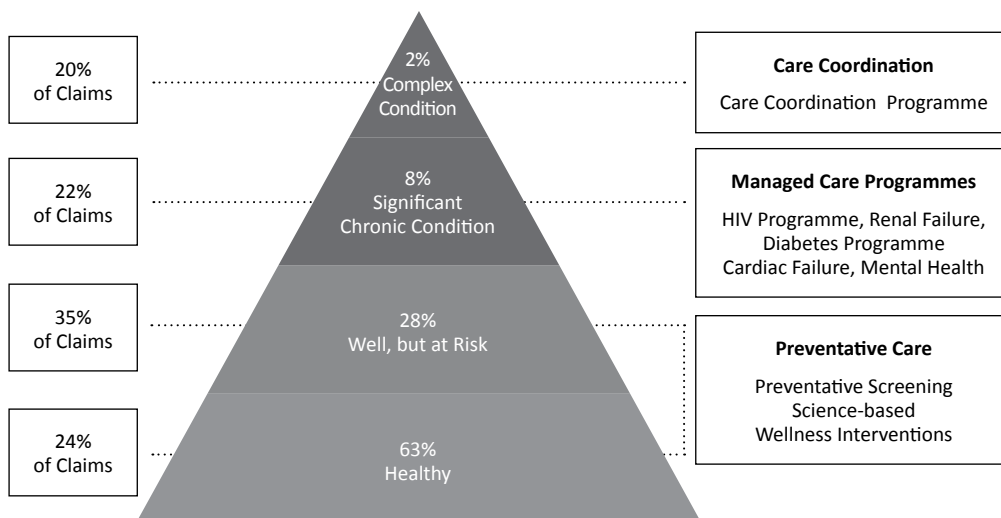
- a. Utilisation is a key driver of costs in our industry;
- b. Previously, the one driver of cost that was disproportionately highlighted is the high cost of service providers;
- c. Possible over-servicing at times;
- d. Complexity of the industry and products.
- e. One of the likely outcomes of the process is that professional tariffs may be regulated.

Developments in this regard are monitored adequately on an on-going basis.

4.5 Managed Healthcare Interventions and Return on Investment (ROI)

The matter regarding managed healthcare interventions and the return on investment of such interventions had been raised during the 2016 Annual General Meeting. The Principal Officer confirmed that managed care can be described as rules-based initiatives (e.g. programmes, contracts, etc.) that use clinical and financial risk assessments to provide appropriate and cost-effective relevant healthcare services of the highest quality.

Segmentation of members is key to identifying high risk individuals who may need complex care.



The aim of managed care is to reduce costs, whilst at the same time, improving quality of care to members.

Following the conclusion of the general presentation, the Principal Officer led a presentation in respect of matters arising from the previous Annual General Meeting:

4.6 Recommended that a rule amendment be considered by Bankmed as the AGM was scheduled on 30 June but the Scheme rules stated that the AGM shall be scheduled before 30 June each year.

It was confirmed that the relevant Scheme rule had been amended and approved by the Council for Medical Schemes. This matter was resolved.

4.7 Requested that CVs be printed on plain paper in future as this would save printing costs. In addition, it was requested that the Trustee nominees' employer name be disclosed on the CV.

It was confirmed that CVs were printed in black and white to reduce costs. Trustee nominees' employer names were disclosed on the CV, as requested. This matter was resolved.

4.8 It was confirmed that Bankmed was committed to providing a platform that would allow for the expansion of voting to an electronic and/or postal election process in future which would allow for all members to vote. Rule amendments are to be provided to the Council for Medical Schemes ('CMS') for consideration.

It was confirmed that the Scheme rules were amended and approved by the Council for Medical Schemes. This year, all members were afforded the opportunity to vote for Trustees by electronic or postal methods. This matter was resolved.

4.9 Recommended that Bankmed references the Medical Schemes Act in respect of the Term of Office requirements.

It was confirmed that Bankmed had engaged the CMS regarding the Trustee Term of Office. The Scheme's initial proposed amendments were sent back to the Scheme by CMS for further consideration, and there was further engagement. Final changes which are being considered by the Board will be submitted to the CMS for approval.

4.10 A member requested clarity about claim payments to credit cards.

It was confirmed that the administrator may not hold credit card details for members in the medical scheme administration system. This is due to the Payment Card Industry (PCI) Security Standards Council requiring that all issuers, merchants, banks and payment service providers comply with the PCI Data Security Standards.

Apart from this compliance burden, there are other risks involved with holding the member's credit card details. Claims are therefore not refunded to credit cards as the details are not held in the administrator system. This matter was resolved.

4.11 Following the conclusion of the matters arising, a member requested that future AGM agendas include a specific matters arising.

Matters arising from the previous meeting were catered for during the presentation as requested. This matter was resolved.

4.12 Queried the effectiveness of managed care interventions. The Principal Officer confirmed that the impact of managed care interventions was reported on to Scheme Management and the Board of Trustees on an ongoing basis; without these interventions, the utilisation battle would be lost by Bankmed. Bankmed would consider presenting the Return on Investment in respect of these interventions.

This action item was attended to earlier in the presentation during the Annual General Meeting. This matter was resolved.

4.13 A member confirmed that he had not received the IT3(b) certificate usually issued with the tax certificate. To be investigated.

It was confirmed that this query had been attended to and resolved.

4.14 Queried the implementation of NHI and the resultant impact to Bankmed members in terms of financing NHI. The Principal Officer reported that many questions had been raised by various medical schemes and that these had subsequently been shared at a Forum that had been set up by the Department of Health. Once these questions have been answered, Bankmed would share these answers with the Bankmed members.

This action item was attended to in the presentation during the Annual General Meeting. This matter was resolved.

4.15 Requested that Bankmed provides an update regarding the HMI. The Principal Officer confirmed that Bankmed had presented to the HMI directly. Further details would follow as and when these were made available by the HMI.

This action item was attended to earlier in the presentation during the Annual General Meeting. This matter was resolved.

The Summarised Annual Financial Statements were included in the booklet as well as sent out electronically, and were taken as read. The Chairman confirmed that the full set of Annual Financial Statements had been made available on the Bankmed website. The Chairman opened the matter to the floor and members were afforded the opportunity to raise questions regarding the Annual Financial Statements.

Mr Goemans: Questioned the cost management measures of the Scheme, and the sustainability of some apparent gains and savings. He raised questions on the following items:

- a. The substantial increase in office accommodation costs;
- b. A 20% increase in the Council for Medical Schemes' fees;
- c. A decrease in consulting fees, and the audit fees relating to data migration;
- d. An increase in actuarial fees;
- e. A reduction in administration fees; and
- f. The significant increase in net impairment loss on insurance receivables.

The Principal Officer confirmed that the increase in office rental was a consequence of Bankmed's previous business premises having been provided by the previous administrator, in Braamfontein. The factors at play, therefore, included the convenience that the previous administrator afforded the Scheme (as its client), accompanied by competitive rental costs, and the location of the previous business premises. The Scheme resolved to operate from business premises completely independent of the previous and the new administrator, to maintain an appropriate level of independence from the administrator. This would inherently result in rental costs increasing more than they would have, had the Scheme continued to use the administrator's offices – and this is an important factor in this regard. The Principal Officer assured members that a number of options and factors were considered during this process, inclusive of costs, before deciding on the current business premises. Bankmed was now also able to host the Board meetings at the Bankmed offices. In the past, venues were hired for Board meetings, partly due to the size of the board room and other logistical challenges. He noted that, overall, Bankmed's non-healthcare expenses, in rands and as a percentage of gross contribution income, had decreased, and this is favourable to the members.

The Council for Medical Schemes as a Regulator goes through a structured approval process before levies can be imposed on medical schemes, and the Principal Officer confirmed that these levies were outside of the Scheme's control.

The Principal Officer explained that the decrease in consulting fees was a result of the tender process costs incurred in 2015. This was to ensure the integrity of the tender process and this was a once-off cost.

The data transfer cost was a consequence of the outcome of the tender process, which required that data transferred from the previous administrator to the current administrator be audited, to ensure the integrity of the data.

The Principal Officer confirmed that the actuarial fees did not increase significantly and that there was no reason for concern as these fees were in line with CPI.

Administration fees were an outcome of the tender process and the Scheme securing a partnership with the new administrator. The Scheme was comfortable with the sustainability of the partnership, including the administration fees. The Principal Officer confirmed that the less the non-healthcare expenses are, the more funds are available for healthcare benefits.

The Principal Officer explained that the transfer of the debtors' book from one administrator to another required a comprehensive debt analysis, to determine the recoverability of old debt managed by the previous administrator, and to ensure that the debt taken over by the new administrator was indeed recoverable. The write-off of debt was a result of this process, aimed at ensuring that the Scheme does not carry debt that may no longer be recoverable. The Principal Officer explained that with reference to operational losses generated by some benefit options, it is the intention of the Scheme to find a balance between sustainability and affordability, in the interest of the members. This balance is pursued partly by ensuring that the contribution increases are fairly reasonable, without compromising sustainability - to the extent that there may be concerns about the continued sustainability of the benefit options - specifically those that are generating losses. The Scheme continued to be one of the most sustainable medical schemes, with more than adequate reserves in relation to the statutory reserve requirement. It is against this background that the operational losses should be considered.

The Principal Officer assured the members that cost management would remain work in progress, with due consideration to other relevant factors.

5. TO RECEIVE AND ADOPT THE AUDITED FINANCIAL STATEMENTS AND THE ANNUAL REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2016

ACTION

Mr Ward: With reference to the Summarised Statement of Comprehensive Income, Mr Ward questioned the net return on Personal Medical Savings Accounts (PMSA), which was equal to interest paid on PMSA. He suggested that it can take up to two months for the interest to be allocated to members, and questioned how the two amounts could be the same.

The Principal Officer confirmed that one of the regulatory imperatives was that the Scheme had to ensure that any interest earned on the Medical Savings Account was credited to the member's account, and he confirmed that the Scheme does comply with this requirement. Member communication had been issued some time ago during the current year, to explain Medical Savings Account interest allocation.

Mr Goemans: Questioned the decrease of non-accredited managed care services expenses.

The Principal Officer explained the Council for Medical Schemes had issued a directive which required medical schemes to split accredited managed care services and non-accredited managed care services. The rationale behind the directive was that accredited managed care services related more to healthcare benefit expenses, and were therefore categorised as such. What members were seeing in the financials were amounts which were not comparable, year-on-year, as a result of this split. Members needed to look at these values holistically in order to note the total movement from year to year.

Prof Raath: Complimented the Principal Officer on his leadership and strategic insights. He confirmed that Bankmed members are enjoying more benefits than what they are paying for and reiterated that annual contribution increases remained below the industry average. Prof Raath stated that hospital costs were considered a key cost driver and suggested that the Scheme monitors these increases carefully year on year. Noted.

Before moving to adopt the Audited Annual Financial Statements, the Chairman confirmed that Mr Alex Schaffrath, Chairman of the Bankmed Investment Committee, would present a summary of investment performance. Mr Schaffrath, by way of a short presentation, explained the roles played by the Board of Trustees, the Investment Committee, and the appointed asset managers. He also made reference to regulations applicable medical scheme investments, and highlighted a few salient points about the Scheme's investment performance and the prevailing economic conditions. The presentation was well received and stimulated some interaction with the members.

Mr Matshediso Mongale: Requested that the Investment Committee gives consideration to diversifying further, with Alan Gray as one of the Scheme's asset managers. Noted.

Mr Goemans: Requested the Investment Report be included in the Annual Financial Statements in future.

Principal Officer

Following the conclusion of the investment presentation, the Chairman proposed that the Audit Annual Financial Statements and Annual Report of the Board of Trustees for the year ended 31 December 2016 be adopted by the members. Proposed by Mr Goemans and seconded by Prof Raath. The Audited Summarised Annual Financial Statements and Annual Report of the Board of Trustees for the year ended 31 December 2016 were adopted as presented.

Principal Officer

6. TO NOTE THE BANKMED TRUSTEE FEE POLICY AND APPROVE THE PROPOSED TRUSTEE FEE INCREASE FOR 2017/2018

ACTION

The Trustee Fee Policy was included in the Annual General Meeting booklet for noting and was taken as read.

The Chairman confirmed that Trustee remuneration had been disclosed in the Audited Summarised Annual Financial Statements presented to members (page 28 of the Summarised Annual Financial Statements, and page 32 of the Summarised Annual Financial Statements – Note 14).

The Remuneration Committee had utilised the services of an independent remuneration specialist who provides advice to the Scheme. The independent advisors proposed that the Scheme considers increasing Trustee remuneration by 6.5% for the ensuing year. This increase was revised by the Board of Trustees and it was proposed that the Trustee remuneration be increased by 6% instead.

Proposed by Mr Goemans and seconded by Mr Preller. It was agreed that Trustee remuneration be increased by 6%.

7. APPOINTMENT OF THE AUDITORS

ACTION

The Audit Committee had recommended to the Board of Trustees the re-appointment of the external auditor, KPMG, for the ensuing year.

The Chairman confirmed that the Board of Trustees went out to tender in respect of external audit services. The outcome of the tender process revealed KPMG as the preferred external audit service provider.

Proposed by Mr Goemans and seconded by Mr Preller. KPMG was re-appointed as the external auditor for the ensuing year.

The Chairman confirmed that members had been issued with communication calling for submission of matters for discussion at the Annual General Meeting. These matters for discussion were deemed to be motions and needed to arrive at the Scheme for consideration by 30 April 2017. The Chairman handed the motions' section of the agenda over to the Principal Officer, who attended to the motions by way of a short presentation.

The Principal Officer confirmed that in order for a motion to be considered valid, it had to meet certain criteria:

- 8.1. Relates to the Objects of the Scheme;
- 8.2. Relates to workings of Scheme and Administrator;
- 8.3. Submitted within the prescribed timeframe;
- 8.4. Affects all members, and, benefits the Scheme and members as a whole.

In total, 80 members responded with questions, queries and requests. These 80 members submitted 128 questions, queries and requests, with most of the queries pertaining to personal claim and benefit issues. All members were contacted personally to resolve claim and benefit queries. Given that a large amount of questions had previously been addressed via member communication and at prior year Annual General Meetings, the Scheme distributed a document which outlined answers to frequently asked questions.

There were nine motions in total, which the Principal Officer would attend to at the meeting:

8.1 Motion 1: Request to Provide Pensioners with a Reduced Monthly Contribution or a Subsidy

The Principal Officer reiterated that this motion had been submitted during prior Annual General Meetings and that the Scheme's response remained unchanged. The Medical Schemes Act and Regulations prohibited differentiated contribution tables based on age. Bankmed would not unfairly discriminate directly or indirectly against any person.

8.2 Motion 2: Request to Eliminate Printed Member Communication and Issue all Member Communication via E-mail and the Website. Reduce Costs to the Scheme in doing so

The Principal Officer confirmed that under 10 000 members had not supplied e-mail addresses. The Scheme is obliged to communicate statutory benefits and contribution amendments to all members. He explained that should the Scheme eliminate printed communication, a large group of members would not receive communication and the Scheme would be in contravention of the Act in respect of its obligation to communicate with members.

The Scheme would, however, initiate an on-going drive to obtain e-mail addresses, where available, to reduce printing and postal costs.

Principal
Officer

8.3 Motion 3: Request to Allow for Proxy Voting at the Annual General Meeting. Voting in Respect of Motions, not Trustee Appointments

The Chairman called upon the members present to vote by a show of hands. PwC presided over the voting process.

Members in favour of proxy voting: 19

Members against proxy voting: 16

Members who abstained from voting: 8

Following the conclusion of the voting process, the Chairman confirmed that the motion had been passed in favour of proxy voting. The Principal Officer confirmed the Scheme rules would be changed to allow for proxy voting in respect of motions, and this was subject to approval by the Council for Medical Schemes.

Principal
Officer

Mr Brandon Raff: Recommended that the Trustees consider allowing a member to vote with only one proxy. The Chairman indicated that the Board would consider this recommendation.

Principal
Officer

8.4 Motion 4: Request that the Scheme Amends the Manner in which Medical Savings Account Interest is Calculated and Allocated

The Principal Officer referred to the impact of a Constitutional Court ruling which overturned the previous judgement insofar as the manner in which the Medical Savings Accounts are accounted for in a Scheme's financials.

It is the Scheme's view that this Constitutional Court ruling will have an effect on the treatment of Medical Savings Account funds going forward. These implications would be clarified based on guidance expected from the Council for Medical Schemes. Discussions were currently taking place about directives previously issued by the CMS, and the validity thereof. This matter was relevant to this discussion, and required consideration of this latest ruling before anything different could be applied going forward.

Actions on this motion would thus be influenced by the Constitutional Court ruling and guidance from the Regulator. The suggestions from members would thus be noted, as future actions would have to align with the application of the Constitutional Court ruling in this regard.

Principal
Officer

8.5 Motion 5: Request that the Scheme Arranges for a Medical Savings Account Interest Audit from 1 January 2016

The Principal Officer confirmed that the standard audit process included a standard review of the general management of the Medical Savings Account. This was primarily aimed at ensuring regulatory compliance. The Principal Officer reiterated the fact that the Scheme ensures that any Medical Savings Account interest earned is allocated to the member.

The Principal Officer confirmed that a specially requested Medical Savings Account audit would have cost implications to the Scheme, and ultimately to members, as a whole. He recommended that members with specific queries about Medical Savings Account interest approach the Scheme for specific assistance.

Mr Ward: Questioned the management of the transfer of Medical Savings Account balances from the previous administrator to Discovery Health, as well as the manner in which the Medical Savings Account interest was allocated. Mr Ward alleged that interest allocation takes place two months later than what it should be allocated. He also alleged that members are denied the opportunity to earn interest on interest as a result of this payment mechanism. Mr Ward requested that interest be allocated within seven days of month end of every given month.

The Principal Officer confirmed that the Scheme complied with regulatory expectations in its management of Medical Savings Accounts, and that this matter would be discussed further at the meeting of the Board of Trustees, scheduled to take place on 20 July 2017.

Principal Officer

8.6 Motion 6: Requested that All Claims be Paid Directly to all Providers for all Claims Submitted to the Scheme for Payment

The Principal Officer confirmed that all claims are paid directly to providers, in most instances. There are exceptions to this practice; some claims may be paid to members where the member provides the Scheme with upfront proof of payment of a claim, or where the service provider has been blocked for direct payment.

8.7 Motion 7: Requested that the Scheme Consolidates Networks by Hospital, i.e. All Providers that are Located within a Hospital Should Automatically Form Part of the Network at the Hospital

The Principal Officer confirmed that network negotiations are carried out at a provider group or at an individual provider level, and this is dependent on the provider type. Hospitals enter negotiations for the hospital group and agree to participate in the network. They do not negotiate on behalf of the individual providers that are allocated within the hospital premises. Each provider situated at the hospital must negotiate separately with the Scheme.

Variances could occur within the network based on location. Members may find that the specialist situated at the hospital may participate in the network, yet the hospital may not participate, and vice versa. The Scheme is constantly working at expanding the network on an ongoing basis.

8.8 Motion 8: Member Statement not User Friendly. Finds it Difficult to Understand Medical Savings Account Interest Allocation on the Member Statement. Requested that the Statement be Reviewed

The Principal Officer confirmed that different members' views needed to be considered as there are members who were satisfied with the changes made to the member statements. This would, however, not diminish the attention to issues raised by those members who were not happy with the member statements.

Detailed communication had been circulated to members to explain the difference between member statements and claims notifications. This matter is being reviewed on an ongoing basis and practical changes would be considered.

Principal Officer

Mr Ward: Noted that he was unable to reconcile Medical Savings Account interest allocated.

Mr Goemans: Noted that he was unable to reconcile the values on the tax summary issued with the tax certificate. He also stated that he believed Scheme benefits had changed and that he considered the Scheme to be managed by Discovery Health and not the Board of Trustees. This was due to the fact that he was required to comply with guidelines and requirements not in place under prior administration.

The Chairman confirmed that the Board of Trustees remains responsible for the management of Bankmed and called upon the administrator for assistance in respect of managed care protocols and guidelines. The implementation of these guidelines and protocols would ensure the ongoing sustainability of the Scheme.

He confirmed that Discovery Health took direction from the Board of Trustees and have no mandate to amend Scheme rules and benefits. Benefits will be amended from time to time, in order to ensure Scheme sustainability. Benefits available to members under different administration are not relevant in respect of administration itself. Benefit differences under different administration is a product of Board of Trustee decisions in respect of benefit design amendments.

A member (name not stated): Requested, by a show of hands, to indicate how many members are in favour of the current administrator. The Chairman indicated that this issue would not be entertained at this meeting. He referred to the previous presentation about the significant improvements in service delivery, and reiterated the Board's commitment to continuous improvement, as far as possible.

Prof Raath: Noted that a small group of members had raised matters in detail that were not for tabling at the Annual General Meeting of the Scheme. Prof Raath requested that such queries be managed outside of the Annual General Meeting of the Scheme. The Chairman supported and noted the member's sentiment.

8.9 Motion 9: Requested that the Scheme Enhances the Website to Allow Members to 'Drill Down' into Claims and Identify the Medicines Claimed and Procedures Performed

The Principal Officer confirmed this matter had been addressed with the administrator, with due consideration to the different perspectives that had been advanced to the Scheme. This matter required further investigation to enhance the functionality and user-friendliness of the website. It was noted that many members expressed positive sentiments about the continued positive changes on the website. Suggestions on areas of improvement are, however, being attended to on an ongoing basis.

The Chairman thanked the 13 members who had put their names forward to serve on the Bankmed Board of Trustees.

The new Trustee electronic voting process that had been implemented in 2017 had been highly successful. The electronic voting process enabled all members across the country to participate in the voting process.

Ms Sheria of PwC, appointed as the independent electoral body, facilitated the presentation in respect of the outcomes of the Trustee voting process.

9.1 Candidate Nomination Process

PricewaterhouseCoopers Advisory Services (Pty) Ltd was appointed as the Independent Electoral Body to conduct and oversee the election of two (2) members to the Board of Trustees.

On 20 December 2016, correspondence was circulated to all principal members of Bankmed requesting the nomination of candidates to stand for election to the Board of Trustees.

As at 12:00 on 28 February 2017 (nomination phase closing date and time), PwC had received a total of sixteen (16) nominations. Thirteen (13) of the sixteen (16) received nominations complied with the requirements stipulated on the nomination forms sent out to members.

9.2 Management of the Electoral Proceedings

The voting process officially opened on 3 May 2017 and members could vote using the following channels:

- Online;
- E-mail;
- Fax;
- Post; and
- Hand delivery at any of the 22 PwC offices.

The candidates list, together with the ballot papers were circulated to principal members of Bankmed who were in good standing on 28 April 2017, via the South African Post Office.

In respect of the online voting portal, an e-mail with a link to the voting portal was circulated to all members with an email address recorded on the Bankmed membership database on 3 May 2017.

9.3 Election Results

As at 5 June 2017 at 12:00 (closing date and time), PwC had received a total of 1 963 valid ballots.

In terms of Rule 18.5.9, *'The election results will be announced at the Annual General Meeting of the Scheme and the newly elected trustees will take effect from that date.'*

The results of the election of two (2) candidates to the Board of Trustees (in alphabetical order) were confirmed as follows:

- RP Gush
- EA Schaffrath

PwC concluded that the election of Bankmed Trustees was carried out in accordance with the Scheme Rules and afforded all members the opportunity to participate.

The Chairman extended congratulations to both Trustees. He extended heartfelt thanks to Ms Judy Madavo (outgoing Trustee) for her many years of commitment to Bankmed.

10. GENERAL**ACTION**

Any matters not attended to as specified in the agenda were attended to under General. The following matter was raised:

10.1 Word of appreciation

Mr Goemans: Expressed a vote of thanks and appreciation to the Bankmed Board of Trustees, management and staff.

11. CLOSURE**ACTION**

There being no further business, the Chairman thanked the members, the Board of Trustees, and the Executive team for their attendance. The meeting was declared closed at 19:42.

Signed as a true record of proceedings.

Chairman Signature

Date

Bankmed Summarised Financial Statements

for the year ended 31 December 2017

The reports and statements set out below comprise the Summarised Financial Statements presented to members:

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Report of the Board of Trustees

The Board of Trustees hereby presents its annual report for the year ended 31 December 2017.

Registration number 1279.

1. Description of the medical scheme

1.1 Terms of registration

Bankmed (the Scheme) is a restricted membership medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998 (the Act) and the Regulations (the Regulations) thereto, as amended.

1.2 Benefit options within the Scheme

In terms of its rules, the Scheme offered six options during 2017:

- Bankmed Essential Plan (previously known as Bankmed PMB Plan)
- Bankmed Basic Plan
- Bankmed Core Saver Plan
- Bankmed Traditional Plan
- Bankmed Comprehensive Plan
- Bankmed Plus Plan

1.3 Personal Medical Savings Accounts

In order to provide a facility for members to set funds aside to meet future healthcare costs not covered in the benefit options, the Trustees have made the option of a savings plan available to meet this objective. The savings plan is available on the Bankmed Core Saver, Comprehensive and Plus benefit options.

These monies were invested in the Nedgroup Investments Corporate Money Market Fund managed by Taquanta Asset Managers (Pty) Ltd. On 6 June 2017, the Constitutional Court ruled on an appeal from Genesis Medical Scheme, setting aside a Supreme Court of Appeal's judgment on the basis that savings account liabilities do not need to be treated separately or differently from any other liabilities of the scheme, and that the scheme is the rightful holder of the funds. On 15 August 2017, the Council for Medical Schemes issued Circular 56 of 2017, clarifying Medical Savings Accounts should no longer be disclosed separately as a trust investment in the statement of financial position, and will be considered as an asset of the Scheme in the compilation of the Annual Financial Statements in terms of the Genesis judgment. This resulted in the Scheme's decisions to no longer hold Medical Savings Accounts funds separately, and to continue to accrue interest on positive Medical Savings balances to respective members.

Unexpended savings amounts are accumulated for the long-term benefit of members and interest earned on these funds is allocated to members.

The liability to the members in respect of the Personal Medical Savings Account is reflected as a financial liability in the summarised financial statements, repayable in terms of Regulation 10 of the Act.

1.4 Risk transfer arrangements

The Scheme had the following capitation agreements in place during the year under review:

- Discovery Health (Pty) Ltd – To cover primary healthcare for members on the Bankmed Basic and Essential Plans as well as emergency evacuation for members on all options;
- Preferred Provider Negotiators (Pty) Ltd – To cover optical claims for members on the Bankmed Comprehensive and Traditional plans;
- Centre for Diabetes and Endocrinology (Pty) Ltd – To cover diabetes claims for members on the Bankmed Comprehensive, Plus, Core Saver and Traditional plans.

2. Management

2.1 Board of Trustees in office during the year under review

The Board of Trustees comprises 12 members constituted as follows:

- Six members are appointed by the three largest employer groups.
- Six members are elected on a rotation basis at the Annual General Meeting. Two of the elected Board members retire at each Annual General Meeting and the vacancies thus created are filled.

Appointed by employer groups

Mr D Armstrong	FirstRand Limited (Chairman)
Mr DW Bolt	FirstRand Limited (appointed 1 August 2017)
Mr J Cresswell	Standard Bank Group Limited
Mr T Legoete	Absa Bank Limited
Mr D Mkhonza	Absa Bank Limited
Ms G Noemdoe	Standard Bank Group Limited
Mr L Rathnum	FirstRand Limited (resigned 29 June 2017)

Elected by members

Mr EA Schaffrath	(Vice chairman - re-elected 29 June 2017)
Mr G de Lange	
Mr R Gush	(elected 29 June 2017)
Mr J Henning	
Ms J Madavo	(term ended 29 June 2017)
Mr N Naidoo	
Mr N Nyawo	

The Board of Trustees met seven times during 2017 on the following dates:

- 22 – 24 February 2017 (Annual Strategic Planning Session)
- 20 April 2017
- 28 June 2017
- 20 July 2017
- 17 August 2017
- 21 September 2017
- 23 November 2017

2.2 Principal Officer

Mr T Mosomothane
Office 302B
34 Whiteley Road
Melrose Arch
Johannesburg
2076

2.3 Registered office address and postal address

Office 302B	Private Bag X2
34 Whiteley Road	Rivonia
Melrose Arch	2128
Johannesburg	
2076	

2.4 Medical scheme administrator

Discovery Health (Pty) Ltd

1 Discovery Place	PO Box 786722
Sandton	Sandton
2146	2146

2.5 Managed care and wellness providers

Discovery Health (Pty) Ltd

1 Discovery Place	PO Box 786722
Sandton	Sandton
2146	2146

MediKredit Integrated Healthcare Solutions (Pty) Ltd

10 Kikuyu Road
 Sunninghill
 Sandton
 2157

PO Box 521058
 Saxonwold
 2132

2.6 Capitation providers**Discovery Health (Pty) Ltd**

1 Discovery Place
 Sandton
 2146

PO Box 786722
 Sandton
 2146

Preferred Provider Negotiators (Pty) Ltd

4th Floor
 Oasim Building North
 Havelock Street
 Port Elizabeth
 6000

PO Box 12450
 Centrahill
 6006

Centre for Diabetes and Endocrinology (Pty) Ltd

81 Central Street
 Houghton
 2198

PO Box 2900
 Saxonwold
 2132

2.7 Investment managers**Investec Asset Management (Pty) Ltd**

Investec Building
 Cnr Bree and Hans Strijdom Avenue
 Foreshore
 8001

PO Box 1655
 Cape Town
 8000

Taquanta Asset Managers (Pty) Ltd

7th Floor
 Newlands Terraces
 8 Boundary Road
 Newlands
 7700

PO Box 23540
 Claremont
 Cape Town
 7735

Prudential Investment Managers (Pty) Ltd

7th Floor
 Protea Place
 40 Dreyer Street
 Claremont
 7735

PO Box 44813
 Claremont
 7735

2.8 Investment consultant**Willis Towers Watson**

1st Floor
 Illovo Edge
 1 Harries Road
 Illovo
 2196

Postnet Suite 154
 Private Bag X1
 Melrose Arch
 2076

2.9 Actuaries**NMG Consultants and Actuaries (Pty) Ltd (previously Towers Watson (Pty) Ltd*)**

NMG House
 411 Main Avenue
 Randburg
 2125

P.O. Box 3075
 Randburg
 2125

* NMG Consultants & Actuaries (Pty) Ltd acquired the health actuarial business of Towers Watson (Pty) Ltd on 9 February 2018

2.10 External auditor

KPMG Inc.

KPMG Crescent
85 Empire Road
Parktown
2193

Private Bag 9
Parkview
2122

2.11 Internal auditor

PricewaterhouseCoopers Inc.

4 Lisbon Lane
Waterfall City
Jukskei View
2090

Private Bag X36
Sunninghill
2157

2.12 Attorneys

ENSafrica

150 West Street
Sandton
Johannesburg
2196

PO Box 783347
Sandton
2146

3. Investment strategy of the Scheme

The overall objective is that the return on the assets should be such that:

- The highest rate of return is achieved for the determined tolerance to risk;
- Assets are broadly selected to obtain real growth relative to CPI;
- Equity volatility may result in negative returns at times, and this is permissible, except in the money market portfolio where there are no equity holdings; and
- The Scheme's Statement of Investment Policy includes several risk mitigating provisions.

This means that the equity portfolio is expected to provide real rates of return over a three year period but with lower rates of volatility whilst the money market portfolio aims to ensure capital preservation and will be limited to investing in cash and fixed interest investments.

Asset managers have been appointed to manage the assets invested by the Scheme. The Trustees will not undertake any investment decisions in respect of these allocated assets without consulting a professional asset manager. Investment consultants may be appointed to assist with design and implementation of the investment policy, appointment and termination of asset managers, periodic review of each asset manager's performance against an agreed benchmark and assistance with all investment consulting issues.

The Trustees will not encumber asset managers with restrictions or pre-determinations, other than limitations documented in the Scheme Investment Policy Statement and the applicable Regulations of the Act. The asset managers will be free to invest assets under their control according to a specified mandate on the understanding that they will be judged according to the benchmarks set by the Scheme.

The Trustees have appointed an Investment Committee to recommend an investment policy and to oversee the implementation of the Scheme's approved investment policy.

4. Review of the accounting period's activities

4.1 Operational statistics

	Essential Plan		Basic Plan		Core Saver Plan		Traditional Plan		Comprehensive Plan		Plus Plan		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Number of members at year end	2 501	2 075	21 837	20 907	24 318	21 669	13 859	14 414	41 787	43 401	3 742	3 950	108 044	106 416
Number of beneficiaries at year end	3 351	2 699	38 665	36 699	46 319	40 314	30 601	31 705	92 138	95 015	7 284	7 814	218 358	214 246
Average number of members for the year	2 259	1 953	21 383	20 900	23 673	20 954	14 006	14 710	42 375	43 928	3 802	4 016	107 498	106 461
Average number of beneficiaries for the year	2 990	2 546	37 779	36 752	44 693	38 834	30 854	32 264	93 034	95 935	7 427	7 974	216 776	214 305
Dependant ratio to members at year end	0,34	0,30	0,77	0,76	0,90	0,86	1,21	1,20	1,20	1,19	0,95	0,98	1,02	1,01
Pensioner ratio (65 Years+)	0,93%	1,00%	1,59%	1,50%	2,56%	2,50%	8,26%	7,90%	12,03%	11,40%	34,86%	32,80%	8,23%	8,20%
Average age of beneficiaries	27,2	27,1	24,9	24,6	25,9	25,8	32,8	32,3	35,5	34,8	52,1	50,8	31,7	31,5
Average net contributions per member per month (R)	1 218	1 083	2 002	1 796	2 213	2 004	4 017	3 700	3 801	3 491	5 912	5 427	3 142	2 923
Average net contributions per beneficiary per month (R)	920	831	1 133	1 021	1 172	1 081	1 823	1 687	1 731	1 599	3 027	2 733	1 558	1 452
Relevant healthcare expenditure as a percentage of net contributions*	41,52%	43,02%	73,56%	74,16%	72,84%	75,67%	95,18%	95,79%	106,13%	105,70%	118,49%	117,71%	95,31%	96,53%
Average administration costs per member per month (R)	173	197	173	197	173	197	173	197	173	197	173	197	173	197
Average administration costs per beneficiary per month (R)	86	98	86	98	86	98	86	98	86	98	86	98	86	98
Amounts paid to administrator (R'000)	3 943	3 166	37 311	33 993	38 044	41 588	22 508	29 450	68 152	87 849	6 111	8 029	176 069	203 965
Non-health expenses as a percentage of gross contributions	14,20%	15,78%	8,87%	9,86%	6,71%	8,84%	4,37%	5,67%	3,80%	4,94%	2,27%	2,95%	5,55%	6,00%
Average accumulated funds per member at 31 December (R)	16 733	16 211	16 733	16 211	16 733	16 211	16 733	16 211	16 733	16 211	16 733	16 211	16 733	16 211
Average healthcare management expense per member per month (R)	86	81	86	81	86	81	86	81	86	81	86	81	86	81
Average healthcare management expense per beneficiary per month (R)	43	40	43	40	43	40	43	40	43	40	43	40	43	40
Return on investments as per an independent review by the Scheme's investment consultants.	10,00%	6,30%	10,00%	6,30%	10,00%	6,30%	10,00%	6,30%	10,00%	6,30%	10,00%	6,30%	10,00%	6,30%

* The ratio was changed from using the gross contributions to using the net contributions which is more in line with standard industry reporting.

4.2 Results of operations

The results of the Scheme are clearly set out in the summarised financial statements. There are no other matters that the Trustees believe should be brought to the attention of the members of the Scheme.

4.3 Accumulated funds ratio

	2017	2016
	R	R
Total members' funds per the summarised statement of financial position	2 068 121 623	1 917 465 825
Less: Available-for-sale reserve	(260 180 710)	(192 341 797)
Accumulated funds per Regulation 29	1 807 940 913	1 725 124 028
Gross contributions	4 657 774 612	4 305 959 478
Accumulated funds ratio	38,82%	40,06%

The Scheme's reserve ratio exceeds the statutory reserve requirement of 25% of gross contributions income and falls within the target range stipulated in the Scheme's Reserve Management Policy.

4.4 Reserve account

Movement in the reserve is set out in the statement of changes in funds and reserve. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

4.5 Outstanding risk claims provision

Movements on the outstanding risk claims provision are set out in Note 5 to the summarised financial statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

5. Actuarial services

The Scheme's actuaries have been consulted in determining the contribution increases and the viability of benefit levels.

6. Investments in participating employers of members of the Scheme

The Scheme holds the following investments in employer groups:

	2017	2016
	R	R
Bonds	172 697 414	116 877 523
Cash, deposits and money market instruments	644 041 886	635 964 675
Listed equities	72 346 322	53 804 924
Total	889 085 622	806 647 122

Refer to Note 14 for detailed disclosure in terms of related parties. The Scheme obtained an exemption from Section 35(8)(a) of the Act and is therefore permitted to hold investments in the participating employers of members.

7. Audit Committee

An Audit Committee was established 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, IT governance and financial reporting practices. The internal and external auditors formally report to the Committee on significant findings arising from audit activities.

The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review. At all times the majority of the committee is independent.

The Audit Committee comprised of:	
Ms F Petersen-Cook	(Chairman) (Independent) (Appointed as Chairman 20 July 2017)
Mr A Coombe	(Chairman) (Independent) (Resigned 10 April 2017)
Mr V Christian	(Independent) (Resigned 10 April 2017)
Ms B Hlongwane	(Independent) (Appointed 24 February 2017)
Mr N Nyawo	(Trustee)
Mr B Phillips	(Independent) (Appointed 24 February 2017)
Mr EA Schaffrath	(Trustee)

The Committee met on four occasions during the course of the year as follows:

- 15 February 2017
- 10 April 2017
- 27 July 2017
- 26 October 2017

The Chairman of the Board of Trustees, the Principal Officer, the financial manager of the Scheme, and the administrator, the internal auditor as well as the external auditor are invited to attend all Audit Committee meetings and have unrestricted access to the Chairman of the Committee. The Chairman of the Audit Committee is also a member of the Risk Management Committee.

8. Remuneration Committee

The Remuneration Committee was mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. Membership of the Remuneration Committee comprises of the Chairman of the Board of Trustees, the Chairman of the Investment Committee and the Chairman of the Risk Management Committee. The Remuneration Committee meetings are attended by an independent advisor to provide expert advice and guidance to the committee.

The Committee comprised of:	
Mr D Armstrong	(Chairman of the Board of Trustees)
Mr J Cresswell	(Chairman of the Risk Management Committee)
Mr EA Schaffrath	(Chairman of the Investment Committee)

The Committee met on two occasions during the course of the year as follows:

- 19 April 2017
- 2 November 2017

9. Risk Management Committee

A Risk Management Committee was established to enable the Board to oversee the risks against which the Scheme should be protected. The committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:	
Mr J Cresswell	(Chairman) (Trustee)
Mr A Coombe	(Independent Audit Committee Chairman) (Resigned 10 April 2017)
Mr N Coghlan	(Senior Manager: Finance and Risk)
Mr J Henning	(Trustee)
Mr T Mosomothane	(Principal Officer)
Dr N Naidoo	(Clinical and Operations Executive)
Mr N Naidoo	(Trustee)
Ms G Noemdoe	(Trustee)
Ms F Petersen-Cook	(Independent Audit Committee Chairman)
Mr L Rathnum	(Trustee) (Resigned 29 June 2017)

The committee met on four occasions during the course of the year as follows:

- 16 March 2017
- 18 May 2017
- 15 August 2017
- 5 October 2017

10. Investment Committee

An Investment Committee was established in order to ensure that the investment process is operated within the parameters of the Scheme's investment strategy. The committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:	
Mr EA Schaffrath	(Chairman) (Trustee)
Mr D Armstrong	(Trustee)
Mr G de Lange	(Trustee)
Mr D Mkhonza	(Trustee)
Mr N Nyawo	(Trustee)

The Committee met on four occasions during the course of the year as follows:

- 2 March 2017
- 4 May 2017
- 12 September 2017
- 2 November 2017

11. Nominations Committee

A Nominations Committee was established to ensure that the process of assessing the suitability of potential trustee candidates, is thorough, fair and complete. The committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:	
Mr D Armstrong	(Chairman) (Trustee)
Mr J Cresswell	(Trustee)
Mr J Henning	(Trustee)

The Committee met on one occasion during the course of the year as follows:

- 19 April 2017

12. External Audit Tender Committee

An External Audit Tender Committee was established during 2017 to oversee the external auditor tender process. The Committee is mandated by the Board of Trustees as to its membership, authority and duties. This Committee was dissolved on conclusion of the tender process.

The Committee comprised of:	
Ms F Petersen-Cook	(Chairman) (Independent)
Mr A Coombe	(Chairman) (Independent) (Resigned 10 April 2017)
Mr V Christian	(Independent) (Resigned 10 April 2017)
Mr N Coghlan	(Senior Manager: Finance and Risk)
Ms B Hlongwane	(Independent) (Appointed 24 February 2017)
Mr T Mosomothane	(Principal Officer)
Mr N Nyawo	(Trustee)
Mr B Phillips	(Independent) (Appointed 24 February 2017)
Mr EA Schaffrath	(Trustee)

The Committee met on two occasions during the course of the year as follows:

- 15 February 2017
- 9 April 2017

13. Meeting attendance

The following schedule sets out trustee meeting attendances where column A indicates the total number of meetings that could have been attended and B the actual number of meetings attended. Trustee remuneration is disclosed in Note 12.1 to the annual financial statements.

Trustee	Board of Trustees meetings		Remuneration Committee meetings		Audit Committee meetings		Risk Management Committee meetings		Nominations Committee meeting		Investment Committee meetings		External Audit Tender Committee meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Mr D Armstrong	7	7	2	2					1	1	4	4		
Mr DW Bolt	5	5												
Mr J Cresswell	7	6	2	2			4	4	1	1				
Mr T Legoete	7	4												
Mr D Mkhonza	7	6									4	4		
Ms G Noemdoe	7	6					4	4						
Mr EA Schaffrath	7	7	2	2	4	4					4	4	2	2
Mr G de Lange	7	7									4	4		
Mr R Gush	4	4												
Mr J Henning	7	7					2	2	1	1				
Ms J Madavo	3	3												
Mr N Nyawo	7	6			4	4					4	4	2	2
Mr N Naidoo	7	7					4	3						
Mr L Rathnum	3	3					2	2						

14. Non-compliance matters

14.1 Non-compliance with Section 33(2)(b) and Section 33(2)(c) - Financial performance and soundness of the Bankmed benefit options

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Comprehensive and Plus plans incurred net healthcare deficits for the year ended 31 December 2017, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes for the failure

The Scheme's benefit design process always includes considerations which look at the Scheme as a whole, needing to provide a full range of benefit options to cater for the target population, and takes into account the Scheme's financial stability and current reserve levels. Similar losses were anticipated in the budget, which was approved by the Council for Medical Schemes (CMS).

Corrective action

The benefits and contributions proposal approved by the CMS for 2018 included budgeted losses for the benefit options which generated operational losses. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

14.2 Non-compliance with Section 26(7) – Late payment of contributions

Nature and impact

Contributions due from a number of employers were received more than three days after becoming due in certain months during 2017, which is in contravention of Section 26(7) of the Act.

Causes for the failure

Due to internal process delays the employers did not pay contributions on behalf of members within three days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

Corrective action

The administrator's robust follow-up process has been instrumental in ensuring timely payment of contributions by employer groups. Scheme Management also continues to engage employer groups to put in place updated Employer-Scheme written contracts compelling employers to pay according to the Scheme Rules and the Act.

14.3 Non-compliance with Section 35(8)(a) – Investments in participating employers

Nature and impact

The Scheme holds investments, via various instruments, with ABSA Bank Ltd, FirstRand Bank Ltd, Landbank SOC Ltd and The Standard Bank of South Africa Ltd who are participating employers of the Scheme. The Scheme also banks with FirstRand Bank Ltd and therefore has various current accounts with this employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

Causes for the failure

As these institutions are major commercial banks an investment portfolio excluding these employers would fail to perform optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

Corrective action

The Scheme has obtained an exemption from the CMS.

14.4 Non-compliance with Section 35(8)(c) – Investments in any administrator

Nature and impact

The Scheme has investments in other administrators via unitised fund holdings within the Investec Absolute Opportunity and Prudential Global Real Return portfolios.

Causes for the failure

The Scheme invests in pooled investment products with independent third party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

Corrective action

The Scheme has obtained an exemption from the CMS.

15. Membership

The membership of the Scheme increased by 1.53% to 108 044 at the end of 2017 when compared to the total membership at the end of 2016 of 106 416. At the end of 2017, the Scheme's average beneficiary age was 31.66 years (2016: 31.49 years). The pensioner ratio increased from 8.20% at the end of 2016 to 8.23% at the end of 2017.

16. Benefit options

Benefit design is a dynamic process and aimed at fulfilling the needs and healthcare benefit requirements of the Bankmed member and employer base. For this reason, the Scheme offers six benefit options which are reviewed on an on-going basis in terms of affordability, financial viability, membership choice and legislative compliance.

17. Financial overview

The financial position of the Scheme and its robust risk management approach resulted in a reaffirmation of the AA+ rating from the Global Credit Ratings Agency indicating its strong ability to pay claims. This is the highest rating given to a medical scheme in South Africa, with the Scheme being one of only two medical schemes being awarded this rating.

17.1 Review of underwriting results

The financial performance of the Scheme in 2017 reflected a favourable claims trend experienced throughout the year. The overall claims experience for 2017 was lower than that budgeted.

Relevant healthcare expenditure, expressed as a percentage of risk contribution income, was 95.31% for 2017 (2016: 96.53%). The gross healthcare (underwriting) result for 2017, amounted to 4.08% of gross contributions. (2016: 3.01%).

The net healthcare deficit, after deducting non-healthcare expenditure, amounted to R36.4 million (before investment and other income) in 2017, compared to a deficit of R128.8 million in the previous year. In the budget it was anticipated that a net healthcare deficit of R73.6 million would be incurred, compared to a budgeted net healthcare deficit of R66.3 million in 2016.

The Scheme generated a net surplus for the year under review of R82.8 million (2016: R37.7 million), after net investment and sundry income of R119.2 million in 2017 (2016: R158.2 million).

17.2 Administration expenditure

Administration expenditure decreased to 4,86% of gross contribution income in 2017 (2016: 6.02%). The 2016 figure included 5 months of run-off administration fees paid to the previous administrator. The overall administration expenditure figure compares favourably with the average administration expenditure of medical schemes in the healthcare industry.

17.3 Investments

The Scheme has an investment policy and employs the services of independent investment managers in order to manage its various investment portfolios. Net investment income (including realised gains after deducting asset management fees) during 2017 amounted to R117.8 million, which is 25.54% lower than the R158.2 million generated in 2016. The performance of the Scheme's managers was in line with market performance. All of the Scheme's investment managers operate in terms of strict mandates that have been delegated to them by the Board of Trustees, which comply with the requirements of the Act and Regulations, and which are closely monitored.

The Board has appointed an Investment Committee that in turn utilises the services of independent investment experts with the objective of advising the Board regarding the implementation, benchmarking and monitoring of appropriate investment mandates. The investment mandates incorporate strategies to outperform medical inflation.

18. Service and administration

The Scheme's administration is outsourced to Discovery Health (Pty) Ltd. The Scheme regularly reviews its service level agreements. The Scheme also ensures that the effective service delivery and service levels are monitored and evaluated on an on-going basis.

19. Communication

Scheme communications continue to be aimed at the education and empowerment of members and elevating the profile of the Bankmed brand in order to retain the current membership and attract new members. Ongoing evaluation of communication tools and channels has ensured continuous improvement of the impact of the marketing and communication messages and strategies.

20. Managed Care

The Scheme is constantly reviewing the manner in which it mitigates its clinical and financial risks while at the same time ensuring the provision of the highest quality of care to members. The Managed Care programmes will continue to undergo improvement and development in order to cater for the prevailing conditions in the industry.

21. Subsequent events

There have been no events that have occurred subsequent to the end of the accounting period that affect the summarised financial statements, and that the Trustees consider should be brought to the attention of the members of the Scheme.

22. Going concern

The Trustees have no reason to believe that the Scheme will not be a going concern in the year ahead.

23. Board of Trustees

Mr DW Bolt was appointed by FirstRand Bank as a trustee, replacing Mr L Rathnum who had previously resigned. Mr R Gush was elected as a trustee at the Annual General Meeting held on 29 June 2017, replacing Ms J Madavo whose term of office had come to an end.

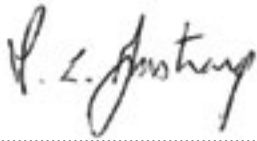
24. Vote of appreciation

On behalf of Bankmed the Board would like to express its thanks to:

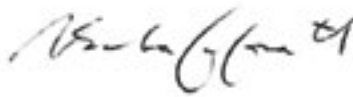
- All members of Bankmed and their employers.
- Independent members of the Board committees for their support.
- The Executive team and staff for the diligent manner in which they have managed the affairs of the Scheme.
- The Registrar of Medical Schemes and his staff for their co-operation and assistance.
- Our contracted service suppliers, industry associations and healthcare service providers.

25. Conclusion

The Scheme is well positioned to meet the changes in the legislative framework and other industry challenges in the future. The Scheme continues to be financially strong and its products are competitive in terms of pricing, benefits and service levels.



.....
D ARMSTRONG
CHAIRMAN



.....
EA SCHAFFRATH
VICE CHAIRMAN



.....
T MOSOMOTHANE
PRINCIPAL OFFICER

.....
19 APRIL 2018

.....
DATE

Summarised Financial Statements

for the year ended 31 December 2017

Trustees' responsibility and approval

The trustees are responsible for the preparation of the summarised financial statements, which fairly present the state of affairs of Bankmed, comprising the summarised statement of financial position at 31 December 2017, and the summarised statements of comprehensive income, changes in funds and reserve and cash flows for the year then ended, and the notes to the summarised financial statements. These include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards, and in the manner required by the Medical Schemes Act of South Africa, as amended. In addition, the trustees are responsible for preparing the Board of Trustees report and the Statement of Corporate Governance.

The trustees are responsible for such internal controls as they deem necessary to enable the preparation of summarised financial statements that are free from material misstatement, whether due to fraud or error. The trustees ensure the use of appropriate accounting policies and prudent judgements and estimates. The trustees are also responsible for maintaining adequate accounting records and an effective system of risk management.

The trustees have made an assessment of the ability of the Scheme to continue as a going concern and have no reason to believe that the Scheme will not be a going concern in the year ahead.

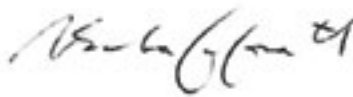
The external auditor is responsible for reporting on whether the summarised financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of Summarised Financial Statements

The summarised financial statements, as identified in the first paragraph, were approved by the Board of Trustees on 19 April 2018 and are signed on its behalf by:



.....
D ARMSTRONG
CHAIRMAN



.....
EA SCHAFFRATH
VICE CHAIRMAN



.....
T MOSOMOTHANE
PRINCIPAL OFFICER

Statement of corporate governance by the Board of Trustees

Bankmed is committed to the principles and practice of responsibility, fairness, transparency, integrity and accountability in all dealings with its stakeholders. The Scheme conducts its affairs according to ethical values, and in compliance with a governance framework.

Board of Trustees

The trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that discussion of items of the policy, strategy and performance is critical, informed and constructive. The performance of third party service providers is monitored against contracted service level agreements. The trustees have adopted, and maintain, a process of risk identification, assessment and management.

All trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

The Board of Trustees have appointed an Audit Committee, an Investment Committee, a Risk Management Committee, a Remuneration Committee, a Nominations Committee and a External Audit Tender Committee to assist it in executing its duties. The performance of the Board of Trustees, and the appointed sub-committees, is assessed annually against agreed upon terms of reference for each committee.

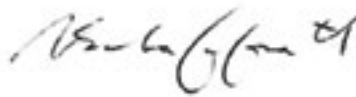
Internal control

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the summarised financial statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties. The adequacy and effectiveness of the systems are assessed by the appointment of internal and external auditors.

No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



.....
D ARMSTRONG
CHAIRMAN



.....
EA SCHAFFRATH
VICE CHAIRMAN



.....
T MOSOMOTHANE
PRINCIPAL OFFICER

.....
19 APRIL 2018

.....
DATE

Summarised Statement of Financial Position

As at 31 December 2017

		2017	2016
ASSETS	Notes	R	R
Non-current assets		1 819 129 119	1 443 876 195
Equipment		1 032 166	1 217 368
Available-for-sale investments	2	1 818 096 953	1 442 658 827
Current assets		1 106 711 553	1 285 792 516
Available-for-sale investments	2	290 578 683	51 503 721
Insurance and other receivables		27 847 629	44 754 476
Cash and cash equivalents		788 285 241	1 189 534 319
• Scheme monies		788 285 241	587 811 323
• Personal Medical Savings Account monies invested	3	-	601 722 996
Total assets		2 925 840 672	2 729 668 711

FUNDS AND LIABILITIES

Members' funds		2 068 121 623	1 917 465 825
Accumulated funds		1 807 940 913	1 725 124 028
Available-for-sale reserve		260 180 710	192 341 797
Non-current liability		7 335 000	7 466 000
Post-retirement medical scheme benefit liability		7 335 000	7 466 000
Current liabilities		850 384 049	804 736 886
Post-retirement medical scheme benefit liability		995 000	928 000
Personal Medical Savings Account monies	4	661 884 214	611 831 184
Insurance and other payables		70 326 752	45 294 792
Outstanding risk claims provision	5	117 178 083	146 682 910
Total funds and liabilities		2 925 840 672	2 729 668 711

Summarised Statement of Comprehensive Income

For the year ended 31 December 2017

		2017	2016
	Notes	R	R
Risk contribution income	6	4 053 224 826	3 734 611 154
Relevant healthcare expenditure		(3 863 109 649)	(3 604 928 374)
Net claims incurred	7	(3 774 822 834)	(3 514 145 777)
Risk claims incurred		(3 780 207 956)	(3 529 506 033)
Third-party claim recoveries		5 385 122	15 360 256
Managed Care: management services	8	(111 405 009)	(102 981 489)
Net income on risk transfer arrangements	9	23 118 194	12 198 892
Risk transfer arrangements premiums paid		(163 898 687)	(149 043 873)
Recoveries from risk transfer arrangements		187 016 881	161 242 765
Gross healthcare surplus		190 115 177	129 682 780
Administration expenditure	10	(222 567 171)	(252 275 523)
Net impairment loss on insurance receivables		(3 929 060)	(6 229 436)
Net healthcare deficit		(36 381 054)	(128 822 179)
Other income		176 384 557	218 861 748
Net investment income excluding return on Personal Medical Savings Account monies invested	11	121 251 996	115 821 595
Net return on Personal Medical Savings Account monies invested	11	47 805 757	43 225 884
Net realised gain on disposal of available-for-sale investments	12	5 913 261	51 462 113
Sundry income		1 413 543	8 352 156
Other expenditure		(57 164 618)	(52 332 367)
Asset management fees		(9 358 861)	(9 106 483)
Interest paid on Personal Medical Savings Accounts monies		(47 805 757)	(43 225 884)
Surplus for the year		82 838 885	37 707 202
Other comprehensive income			
Items that will be classified to profit or loss:			
Net unrealised gains on revaluation of available-for-sale investments		73 752 174	14 787 515
Net realised gains on disposal of available-for-sale investments reclassified to profit or loss		(5 913 261)	(51 462 113)
Items that will not be classified to profit or loss:			
Actuarial (loss)/gain on post retirement liability		(22 000)	273 000
Total comprehensive income for the year		150 655 798	1 305 604

Summarised Statement of Changes in Funds and Reserves

For the year ended 31 December 2017

	Accumulated funds	Available-for-sale reserve	Total members' funds
	R	R	R
Balance at 1 January 2017	1 725 124 028	192 341 797	1 917 465 825
Changes in Funds and Reserve for 2017			
Net unrealised gains on revaluation of available-for-sale investments	–	73 752 174	73 752 174
Net realised gains on disposal of available-for-sale investments transferred to the statement of comprehensive income	–	(5 913 261)	(5 913 261)
Actuarial loss on post retirement liability	(22 000)	–	(22 000)
Net movement recognised directly in Funds and Reserve	(22 000)	67 838 913	67 816 913
Surplus for the year	82 838 885	–	82 838 885
Total surplus recognised for the year	82 838 885	–	82 838 885
Balance at 31 December 2017	1 807 940 913	260 180 710	2 068 121 623
Balance at 1 January 2016	1 687 143 826	229 016 395	1 916 160 221
Changes in Funds and Reserve for 2016			
Net unrealised gains on revaluation of available-for-sale investments	–	14 787 515	14 787 515
Net realised gains on disposal of available-for-sale investments transferred to the statement of comprehensive income	–	(51 462 113)	(51 462 113)
Actuarial gain on post retirement liability	273 000	–	273 000
Net movement recognised directly in Funds and Reserve	273 000	(36 674 598)	(36 401 598)
Surplus for the year	37 707 202	–	37 707 202
Total surplus recognised for the year	37 707 202	–	37 707 202
Balance at 31 December 2016	1 725 124 028	192 341 797	1 917 465 825

Summarised Statement of Cash Flows

For the year ended 31 December 2017

		2017	2016
	Notes	R	R
Cash flows from operating activities			
Surplus for the year		82 838 885	37 707 202
Adjustments for:			
• Depreciation	10	379 355	279 950
• Decrease in outstanding risk claims provision		(29 504 827)	(6 414 827)
• Dividend income	11	(20 392 716)	(19 729 976)
• Interest income	11	(100 859 280)	(96 091 619)
• Net return on Personal Medical Savings Account monies invested	11	(47 805 757)	(43 225 884)
• Interest paid on Personal Medical Savings Account monies		47 805 757	43 225 884
• Net realised gain on available-for-sale investments	12	(5 913 261)	(51 462 113)
• (Decrease)/Increase in post retirement medical aid benefit liability – staff cost		(86 000)	51 000
Cash utilised in operations before working capital changes		(73 537 844)	(135 660 383)
Working capital changes			
• Decrease in insurance and other receivables, excluding accrued interest		17 251 868	16 035 399
• Increase in insurance and other payables		25 031 960	22 681 797
• Increase in Personal Medical Savings Account monies		50 053 030	76 954 273
Cash generated by/(utilised in) operations		18 799 014	(19 988 914)
Interest paid on Personal Medical Savings Accounts monies		(47 805 757)	(43 225 884)
Net cash utilised in operating activities		(29 006 743)	(63 214 798)
Cash flows from investing activities			
Purchase of equipment		(194 153)	(459 463)
Proceeds on disposal of available-for-sale investments	2	802 529 921	941 846 725
Purchase of available-for-sale investments	2	(1 343 290 835)	(894 106 478)
Interest received		100 514 259	177 467 326
Net return on Personal Medical Savings Account monies invested	11	47 805 757	43 225 884
Dividends received	11	20 392 716	19 729 976
Net cash generated by investing activities		(372 242 335)	287 703 970
Net cash (utilised in)/generated by investing activities		(401 249 078)	224 489 172
Cash and cash equivalents at beginning of the year		1 189 534 319	965 045 147
Cash and cash equivalents at the end of the year		788 285 241	1 189 534 319
Scheme monies		788 285 241	587 811 323
Personal Medical Savings Account monies invested	4	–	601 722 996

Notes to the Summarised Financial Statements

for the year ended 31 December 2017

1. Principal accounting policies

The principal accounting policies applied in the preparation of the summarised financial statements are set out below. The policies applied are consistent with the prior year.

Statement of compliance

The summarised financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa. In addition the Statement of Comprehensive Income is prepared in accordance with Circular 41 of 2012 and Circular 56 of 2015 of the Council for Medical Schemes (CMS) that sets out their interpretation of IFRS as it relates to the Statement of Comprehensive Income for medical schemes in South Africa.

1.1 Basis of preparation

The summarised financial statements provide information about the financial position, results of operations and changes in financial position of the Scheme. These have been prepared under the historical cost convention, except for available-for-sale financial assets and post-retirement medical aid benefit liability, which are measured at fair value and the insurance contract liabilities.

All monetary information and figures presented in the summarised financial statements are in South African Rand, which is the Scheme's functional currency, rounded to the nearest Rand, unless otherwise indicated.

Use of estimates

The preparation of the annual financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at reporting date and the reported income and expenditure for the year. The actual outcome may differ from these estimates, possibly significantly.

1.2 Standards and interpretations

New standards, amendments and interpretations effective in 2017 and relevant to the Scheme:

The following amendment was effective for the current financial year. The Scheme complied with the amendment from the effective date:

Title	Effective date – financial year commencing on or after
Amendments to IAS 7 – Disclosure Initiative – The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.	1 January 2017

New standards, amendments and interpretations relevant to the Scheme but not yet effective:

The following new standards, amendments and interpretations to the existing standards have been published and are not yet effective for the current financial year:

Title	Effective date – financial year commencing on or after
IFRS 9 – Financial Instruments – IFRS 9, on 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard will include changes in the measurement bases of the Scheme's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Scheme. The standard will be adopted on implementation date. The Scheme does not expect the change to have a material impact on the statement of financial position.	1 January 2018

Title	Effective date – financial year commencing on or after
<p>IFRS 17 – Insurance contracts – The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new approach of accounting for insurers, which include Medical Schemes. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.</p>	1 January 2021

2. Available-for-sale investments

	2017 R	2016 R
Fair value at the beginning of the year	1 494 162 548	1 527 115 280
Purchase of available-for-sale investments	1 343 290 835	894 106 478
Proceeds on disposal of available-for-sale investments	(802 529 921)	(941 846 725)
Unrealised gain on revaluation of available-for-sale investments	73 752 174	14 787 515
Fair value at the end of the year	2 108 675 636	1 494 162 548
Less: Short-term portion shown in current assets	(290 578 683)	(51 503 721)
	1 818 096 953	1 442 658 827
The investments comprise:		
• Listed equities	669 839 527	540 374 613
• Offshore collective investment schemes	83 045 751	31 189 338
• Money market instruments	630 932 158	363 686 922
• Bonds	695 908 358	516 390 943
• US Dollar denominated offshore bonds	–	6 153 789
• Rand denominated offshore bonds	28 949 842	36 366 943
	2 108 675 636	1 494 162 548

A register of investments is available for inspection at the registered office of the Scheme.

The weighted average effective interest rate on bonds for the year was 10.21% (2016: 7.23%).

3. Personal Medical Savings Account monies invested

	2017	2016
	R	R
The investment comprises:		
• Money market instruments	–	601 722 996
Total Personal Medical Savings Account monies invested	–	601 722 996

The carrying amount of the monies invested approximates its fair value due to the short-term maturity of this asset.

These funds were invested in the Nedgroup Investments Corporate Money Market Fund managed by Taquanta Asset Managers (Pty) Ltd. The effective interest rate for 2016 was 7.89%.

On 6 June 2017, the Constitutional Court ruled on an appeal from Genesis Medical Scheme, setting aside a Supreme Court of Appeal's judgment on the basis that savings account liabilities do not need to be treated separately or differently from any other liabilities of the scheme, and that the scheme is the right holder of the funds. On 15 August 2017, the Council for Medical Schemes issued Circular 56 of 2017, clarifying Medical Savings Accounts should no longer be disclosed separately as a trust investment in the statement of financial position, and will be considered as an asset of the Scheme in the compilation of the annual financial statements in terms of the Genesis judgment. This resulted in the Scheme's decisions to no longer hold Medical Savings Accounts funds separately, and to continue to accrue interest on positive Medical Savings balances to respective members.

4. Personal Medical Savings Account monies managed by the Scheme

	2017	2016
	R	R
Balance due to members on Personal Medical Savings Account liability at the beginning of the year	611 831 184	534 876 911
Less: Prior year advances on Personal Medical Savings Account	–	(99 652)
Net adjusted balance on Personal Medical Savings Account liability at the beginning of the year	611 831 184	534 777 259
Add:		
• Personal Medical Savings Account contributions received or receivable for the current year (Note 6)	604 549 786	571 348 324
• Interest allocated to members' savings accounts	47 805 757	43 225 884
• Transfers into the Scheme	2 403 854	11 062 624
Less:		
• Savings payouts on death or resignation	(36 828 647)	(27 185 408)
• Claims paid (Note 7)	(567 877 720)	(521 397 499)
Balance due to members on Personal Medical Savings Account held at the end of the year	661 884 214	611 831 184

Per the rules of the Scheme, interest on Personal Medical Savings Account only accrues to members on a monthly basis on positive balances existing at that date.

In accordance with the rules of the Scheme, the Personal Medical Savings Account monies are underwritten by the Scheme. The Personal Medical Savings Account liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act which requires that any credit balance on a member's Personal Medical Savings Account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and then enrolls in another benefit option or medical scheme without a Personal Medical Savings Account or does not enroll in another medical scheme.

It is estimated that claims to be paid out of members' savings accounts in respect of claims incurred in 2017 but not recorded will amount to R4.3m (2016 : R7.2m).

As at year end the carrying amount of the Personal Medical Savings Account was deemed to be equal to their fair values, which is of a short-term nature.

5. Outstanding risk claims provision

	2017		2016	
	R	R	R	R
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
Provision for outstanding risk claims – incurred but not reported	5 529 717	111 648 366	2 437 616	144 245 294
Analysis of movements in outstanding risk claims				
Balance at beginning of the year	2 437 616	144 245 294	3 487 021	149 610 716
Payments in respect of the prior year	(2 437 616)	(136 390 881)	(3 487 021)	(149 320 165)
Over provision in respect of the prior year	–	7 854 413	–	290 551
Adjustment for the current year	5 529 717	103 793 953	2 437 616	143 954 743
Balance at end of year	5 529 717	111 648 366	2 437 616	144 245 294
Analysis of outstanding risk claims provision				
Estimated gross claims	–	115 974 186	–	151 484 187
Outstanding risk claims provision relating to risk transfer arrangements	5 529 717	–	2 437 616	–
Less: Estimated recoveries from Personal Medical Savings Accounts (Note 3)	–	(4 325 820)	–	(7 238 893)
Total outstanding risk claim provision per statement of financial position – covered by risk transfer arrangement and not covered by risk transfer arrangement.		117 178 083		146 682 910

Process and assumptions used to prepare estimates

The process used to determine the assumptions in respect of risk claims provisioning is intended to result in realistic estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out monthly. There is more emphasis on current trends, and where in early years, there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances, information available from managed care: management services and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the actual claims incurred may vary from the estimate of outstanding risk claims provision. Reasons for this include differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The Chain Ladder method is used to estimate the most likely cost of outstanding claims. This method extrapolates the development of paid and incurred claims to estimate the ultimate claim amounts for each benefit month based upon observed developments of earlier periods. In this instance, actual claims paid to the mid-March 2018 claims run were combined with an extrapolation of future claims paid at claims runs occurring after mid-March 2018. It is assumed that the payments of future claims will emerge in a manner that is consistent with the historical pattern.

The actual method used is consistent with prior years and considers categories of claims and observed historical claims development. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, in so far as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- Changes in processes that affect the recording and settlement of claim payments;
- Economic, legal, political and social trends that result in different than expected levels of inflation and/or medical benefits to be provided;
- Changes in the Scheme's composition of members and their dependants; and
- Random fluctuations, including the impact of large losses.

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected percentages of claims settled at each claims run occurring after the mid-March 2018 claims run.

The claims outstanding at the end of the year are shown in the table below as a percentage of total expected claims for each service month:

	September and prior	October	November	December
Bankmed Essential	5%	4%	13%	75%
Bankmed Basic	9%	8%	16%	40%
Bankmed Core Saver	3%	2%	8%	37%
Bankmed Traditional	7%	2%	6%	23%
Bankmed Comprehensive	1%	2%	8%	25%
Bankmed Plus	1%	3%	5%	31%
Average	4%	3%	9%	31%

Changes in assumptions and sensitivities to changes in key variables

The table below outlines the sensitivity of the outstanding risk claims provision to changes in the assumed proportion of claims outstanding used in the estimation process. It should be noted that this is a deterministic approach with no allowance for possible correlations between the key variables.

An analysis of the outstanding risk claims provision's sensitivity provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the outstanding risk claims provision in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon expected values for certain variables and assumptions of which the actual values might be different.

The table outlines the sensitivity of these percentages, and the impact on the Scheme's liabilities if an incorrect assumption is used.

	2017	2016
	R	R
Effect of a 1% increase in assumed percentage	12 507 623	13 011 399
Effect of a 2% increase in assumed percentage	25 306 049	26 371 046
Effect of a 3% increase in assumed percentage	38 405 735	40 094 279

6. Risk contribution income

Gross contributions per registered rules	4 657 774 612	4 305 959 478
Less: Personal Medical Savings Account contributions received*	(604 549 786)	(571 348 324)
Risk contribution income	4 053 224 826	3 734 611 154

The Savings contributions are received by the Scheme in terms of Regulation 10(1) and the Scheme's registered rules. Refer to Note 3 to the summarised financial statements for more detail on how these monies were utilised.

7. Net claims incurred

	2017	2016
	R	R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current year claims	4 057 274 842	3 746 052 656
Movement in outstanding risk claims provision (Note 5)	103 793 953	143 954 743
• Over provision in prior year (Note 5)	(7 854 413)	(290 551)
• Current year balance	111 648 366	144 245 294
Less:		
• Savings plan claims paid (Note 3)	(567 877 720)	(521 397 499)
• Discounts received on claims	–	(346 632)
	3 593 191 075	3 368 263 268

	2017	2016
	R	R
Claims incurred in respect of risk transfer arrangements		
Current year claims	181 487 164	158 805 149
Movement in outstanding risk claims provision		
• Adjustment for current year (Note 5)	5 529 717	2 437 616
	187 016 881	161 242 765
Total risk claims incurred	3 780 207 956	3 529 506 033
Less: third party claim recoveries		
• Recoveries from the Road Accident Fund	–	(12 766 448)
• Forensic recoveries	(5 385 122)	(2 593 808)
Net claims incurred	3 774 822 834	3 514 145 777

8. Managed Care: management services

	2017	2016
	R	R
Clinical risk management	31 477 505	29 027 010
Hospital referrals and pre-authorisations	29 227 136	26 951 715
Medical provider network management	27 180 626	25 064 673
Pharmacy benefit management	23 519 742	21 938 091
	111 405 009	102 981 489

The allocation of the comparative figures have been restated based on amended discipline criteria.

9. Net income on risk transfer arrangements

	2017	2016
	R	R
Recoveries received on risk transfer arrangements	187 016 881	161 242 765
Discovery Health	124 108 216	108 887 040
Preferred Provider Negotiators	56 596 599	44 462 189
Centre for Diabetes and Endocrinology	6 312 066	7 893 536
Less:		
Premiums paid on risk transfer arrangements	(163 898 687)	(149 043 873)
Discovery Health	(110 988 851)	(99 741 327)
Preferred Provider Negotiators	(47 372 432)	(44 962 061)
Centre for Diabetes and Endocrinology	(5 537 404)	(4 340 485)
Net income on risk transfer arrangements	23 118 194	12 198 892

The Scheme renewed four existing risk transfer arrangements during 2017:

Discovery Health (Pty) Ltd

Primary healthcare for the Basic and Essential options are covered by the risk transfer arrangement with Discovery Health (Pty) Ltd. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per beneficiary basis.

Discovery Health (Pty) Ltd

Discovery Health (Pty) Ltd provides emergency evacuation services to members of all options of the Scheme. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per beneficiary basis.

Preferred Provider Negotiators (Pty) Ltd

Preferred Provider Negotiators (PPN) cover the optometry benefits for the Comprehensive and Traditional options. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per beneficiary basis.

Centre for Diabetes and Endocrinology (Pty) Ltd

The Centre for Diabetes and Endocrinology provides diabetes benefits to members of all plans of the Scheme, except for the Bankmed Basic and PMB plans. The risk transfer agreement is in accordance with instructions given by the Scheme. The risk transfer premiums are charged on a per enrollee basis.

10. Administration expenditure

	2017	2016
	R	R
Administration fees	176 068 904	203 965 303
• Discovery Health (Pty) Ltd	176 068 904	162 410 035
• Metropolitan Health Corporate (Pty) Ltd	-	41 555 268
Actuarial fees	2 120 053	1 985 296
Association fees	541 274	379 123
Audit fees (external)	878 967	887 951
Audit fees (data migration)	-	484 500
Communication expenses	9 772 709	6 622 571
Consulting fees	1 782 255	985 869
Depreciation	379 355	279 950
Fidelity guarantee and professional indemnity insurance premium	203 078	167 726
Internal audit costs	526 237	483 670
Office lease and other rental charges	2 488 342	2 325 415
Legal fees	430 025	1 377 999
Levies – Council for Medical Schemes	3 631 325	3 565 467
Non-accredited managed care services	-	2 368 267
Principal Officer's remuneration	2 846 494	2 502 023
Trustees' remuneration	2 333 136	1 852 550
Staff costs	12 851 510	13 284 860
Other expenses	5 713 507	8 756 983
	222 567 171	252 275 523

11. Investment income

	2017	2016
	R	R
Available-for-sale investments	49 009 655	56 977 092
• Dividend income	20 392 716	19 729 976
• Interest income	28 616 939	37 247 116
Cash and cash equivalents interest income	72 242 341	58 844 503
	121 251 996	115 821 595
Net return on Personal Medical Savings Account monies invested	47 805 757	43 225 884
	169 057 753	159 047 479

12. Net realised gain on disposal of available-for-sale investments

	2017	2016
	R	R
Realised gains on available-for-sale investments	30 853 448	78 305 612
• Listed equities	23 507 266	65 540 896
• Bonds	5 910 877	3 728 074
• Money market instruments	1 435 305	9 036 642
Realised losses on available-for-sale investments	(24 940 187)	(26 843 499)
• Listed equities	(15 280 472)	(9 210 434)
• Bonds	(9 598 696)	(6 746 932)
• Money market instruments	(61 019)	(10 886 133)
	5 913 261	51 462 113

13. Surplus/(deficit) after investment income, other income and other expenditure per benefit option

2017	Bankmed Essential R	Bankmed Basic R	Bankmed Core Saver R	Bankmed Traditional R	Bankmed Comprehensive R	Bankmed Plus R	Total R
Risk contribution income	33 019 723	513 640 900	628 729 470	675 087 756	1 932 997 691	269 749 286	4 053 224 826
Relevant healthcare expenditure	(13 710 970)	(377 823 909)	(457 954 873)	(642 566 982)	(2 051 438 864)	(319 614 051)	(3 863 109 649)
Net claims incurred	(11 071 831)	(362 515 137)	(435 364 729)	(627 457 343)	(2 022 371 379)	(316 042 415)	(3 774 822 834)
Risk claims incurred	(11 087 626)	(363 032 297)	(435 985 816)	(628 352 467)	(2 025 256 472)	(316 493 278)	(3 780 207 956)
Third party claim recoveries	15 795	517 160	621 087	895 124	2 885 093	450 863	5 385 122
Managed Care: management services	(2 336 923)	(22 112 252)	(24 499 539)	(14 532 061)	(43 978 137)	(3 946 097)	(111 405 009)
Net income/(expense) on risk transfer arrangements	(302 216)	6 803 480	1 909 395	(577 578)	14 910 652	374 461	23 118 194
Risk transfer arrangements premiums paid	(2 255 749)	(96 993 191)	(3 650 774)	(17 682 327)	(42 256 688)	(1 059 958)	(163 898 687)
Recoveries from risk transfer arrangements	1 953 533	103 796 671	5 560 169	17 104 749	57 167 340	1 434 419	187 016 881
Gross healthcare surplus/(deficit)	19 308 753	135 816 991	170 774 597	32 520 774	(118 441 173)	(49 864 765)	190 115 177
Administration expenditure	(4 630 854)	(44 932 109)	(48 561 888)	(28 941 053)	(87 640 782)	(7 860 485)	(222 567 171)
Net impairment loss on healthcare receivables	(58 609)	(642 858)	(889 342)	(544 013)	(1 646 237)	(148 001)	(3 929 060)
Net healthcare surplus/(deficit)	14 619 290	90 242 024	121 323 367	3 035 708	(207 728 192)	(57 873 251)	(36 381 054)
Other income	2 702 306	25 575 775	41 147 628	16 752 785	82 644 006	7 562 057	176 384 557
Net investment income	2 548 321	24 118 391	26 701 867	15 798 162	47 796 413	4 288 842	121 251 996
Net return on Personal Medical Savings Account monies	-	-	12 832 267	-	31 959 434	3 014 056	47 805 757
Net realised gain on disposal of available-for-sale investments	124 277	1 176 214	1 302 206	770 450	2 330 954	209 160	5 913 261
Sundry income	29 708	281 170	311 288	184 173	557 205	49 999	1 413 543
Other expenditure	(196 693)	(1 861 583)	(14 893 256)	(1 219 384)	(35 648 611)	(3 345 091)	(57 164 618)
Asset management fees	(196 693)	(1 861 583)	(2 060 989)	(1 219 384)	(3 689 177)	(331 035)	(9 358 861)
Interest paid on Personal Medical Savings Account monies	-	-	(12 832 267)	-	(31 959 434)	(3 014 056)	(47 805 757)
Net surplus/(deficit) for year	17 124 903	113 956 216	147 577 739	18 569 109	(160 732 797)	(53 656 285)	82 838 885

2016	Bankmed Essential PMB R	Bankmed Basic R	Bankmed Core Saver R	Bankmed Traditional R	Bankmed Comprehensive R	Bankmed Plus R	Total R
Risk contribution income	25 388 373	450 459 576	503 806 966	653 180 359	1 840 253 556	261 522 324	3 734 611 154
Relevant healthcare expenditure	(10 920 856)	(334 045 605)	(381 209 663)	(625 684 781)	(1 945 234 335)	(307 833 134)	(3 604 928 374)
Net claims incurred	(9 140 576)	(324 062 904)	(361 026 034)	(608 151 728)	(1 907 492 439)	(304 272 096)	(3 514 145 777)
Risk claims incurred	(9 340 557)	(326 524 702)	(364 282 784)	(610 405 641)	(1 914 062 694)	(304 889 655)	(3 529 506 033)
Third party claim recoveries	199 981	2 461 798	3 256 750	2 253 913	6 570 255	617 559	15 360 256
Managed Care: management services	(1 876 325)	(20 078 955)	(20 319 436)	(14 248 383)	(42 568 025)	(3 890 365)	(102 981 489)
Net (expense)/ income on risk transfer arrangements	96 045	10 096 254	135 807	(3 284 670)	4 826 129	329 327	12 198 892
Risk transfer arrangements premiums paid	(1 768 963)	(86 985 153)	(3 226 784)	(17 058 896)	(39 010 941)	(993 136)	(149 043 873)
Recoveries from risk transfer arrangements	1 865 008	97 081 407	3 362 591	13 774 226	43 837 070	1 322 463	161 242 765
Gross healthcare surplus/(deficit)	14 467 517	116 413 971	122 597 303	27 495 578	(104 980 779)	(46 310 810)	129 682 780
Administration expenditure	(3 931 180)	(43 440 631)	(51 031 839)	(36 087 279)	(107 896 668)	(9 887 926)	(252 275 523)
Net impairment loss on healthcare receivables	(75 868)	(983 908)	(1 265 308)	(916 905)	(2 736 842)	(250 605)	(6 229 436)
Net healthcare surplus/(deficit)	10 460 469	71 989 432	70 300 156	(9 508 606)	(215 614 289)	(56 449 341)	(128 822 179)
Other income	3 221 995	32 149 012	46 172 135	24 268 075	101 368 640	11 681 890	218 861 748
Net investment income	2 124 718	21 200 397	22 796 383	16 003 378	47 790 374	5 906 345	115 821 595
Net return on Personal Medical Savings Account monies	–	–	11 602 914	–	28 897 666	2 725 304	43 225 884
Net realised gain on disposal of available-for-sale investments	944 059	9 419 808	10 128 940	7 110 657	21 234 328	2 624 321	51 462 113
Sundry income	153 218	1 528 808	1 643 898	1 154 040	3 446 272	425 920	8 352 156
Other expenditure	(167 056)	(1 666 883)	(13 395 282)	(1 258 267)	(32 655 188)	(3 189 691)	(52 332 367)
Asset management fees	(167 056)	(1 666 883)	(1 792 368)	(1 258 267)	(3 757 522)	(464 387)	(9 106 483)
Interest paid on Personal Medical Savings Account monies	–	–	(11 602 914)	–	(28 897 666)	(2 725 304)	(43 225 884)
Net surplus/(deficit) for year	13 515 408	102 471 562	103 077 009	13 501 202	(146 900 837)	(47 957 142)	37 707 202

14. Related party disclosures

Parties with significant influence over the Scheme

ABSA Bank Ltd, FirstRand Bank Ltd and The Standard Bank of South Africa Ltd have significant influence over the Scheme, as they participate in the Scheme's financial and operating policy decisions through representation on the Board of Trustees, but do not control the Scheme.

NMG Consultants and Actuaries (Pty) Ltd (previously Towers Watson (Pty) Ltd) has significant influence over the Scheme, as it consults and advises on various strategic issues which guide the Scheme's operations, but does not control the Scheme. NMG Consultants & Actuaries (Pty) Ltd acquired the health actuarial business of Towers Watson (Pty) Ltd on 9 February 2018.

Discovery Health (Pty) Ltd has significant influence over the Scheme, as it provides administration services as well as financial and operational information on which policy decisions are based, but does not control the Scheme.

The managed care organisation, Discovery Health (Pty) Ltd has significant influence over the Scheme in terms of the risk transfer arrangement for the Basic and Essential options, but does not control the Scheme.

The managed care organisation, Discovery Health (Pty) Ltd has significant influence over the Scheme in terms of the managed care arrangement, but does not control the Scheme.

The Scheme contracted with Discovery Third Party Recovery Services (Pty) Ltd (DTPRS), a wholly owned subsidiary of Discovery Health (Pty) Ltd, to manage the identification and collection of third party recoveries from the Road Accident Fund.

The managed care organisation, Preferred Provider Negotiators (Pty) Ltd, has significant influence over the Scheme in terms of the risk transfer arrangement for Comprehensive and Traditional options, but does not control the Scheme.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, the Principal Officer and the executive team. The disclosure deals with full-time personnel that are compensated on a salary basis (Principal Officer and the executive team) and part-time personnel that are compensated on a fee basis (Board of Trustees).

Key management personnel, their close members of family and entities which they control, jointly control, or over which they exercise significant influence, are considered related parties of the Scheme.

Transactions and balances with key management personnel

The following table provides the total amount of transactions, entered into with related parties for the relevant financial year.

Statement of comprehensive income	2017	2016
	R	R
<i>Compensation</i>		
Short-term employee benefits	8 396 004	7 230 800
Trustees' remuneration	2 333 136	1 852 550
Total compensation paid to key management personnel	10 729 140	9 083 350
<i>Contributions and claims</i>		
Contributions received	873 647	735 120
Claims incurred	590 072	384 231
Personal Medical Savings Account interest	9 866	3 593
Statement of financial position		
Personal Medical Savings Account balances	118 878	84 970

The terms and conditions of the related party transactions were as follows:

Transaction	Nature of transactions and terms and conditions thereof
Contributions received	This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.
Personal Medical Savings Account balances	The amounts owing to the related parties relate to medical aid savings balances to which the parties have a right. In line with the provisions of Circular 38, all interest earned is allocated to members Personal Medical Savings Accounts. The amounts are all current, and are payable on demand should an appropriate claim be issued, or the member exit the Scheme.

	2017	2016
	R	R
Transactions and balances with related parties		
Statement of comprehensive income		
Actuarial fees	2 120 053	1 985 296
Administration fees	176 068 904	203 965 303
Road Accident Fund recoveries	–	9 201 966
Risk transfer premiums paid	158 361 283	144 703 387
Managed Care: management services	97 762 099	92 521 548
Non-accredited managed care services	–	2 368 267
Statement of financial position		
Available-for-sale investments: Participating employers	677 480 031	454 992 014
Cash and cash equivalents: Participating employers	300 279 694	351 655 108
Insurance and other payables	15 585 132	24 979 142
Share of outstanding claims provision	4 442 466	2 437 616

Terms and conditions of the risk transfer agreements

The risk transfer agreements are in accordance with instructions given by the Trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations.

Terms and conditions of the managed care agreements

The managed care agreements are in accordance with instructions given by the Trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations.

Terms and conditions of the actuarial contract

The actuarial agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Scheme has the right to terminate the agreement on 90 days notice.

Terms and conditions of investments in participating employers

All investments in participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

15. Non-compliance with the Medical Schemes Act No 131 of 1998

15.1 Non-compliance with Section 33(2)(b) and Section 33(2)(c) – Financial performance and soundness of the Bankmed benefit options

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Comprehensive and Plus plans incurred net healthcare deficits for the year ended 31 December 2017, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes for failure

The Scheme's benefit design process always includes considerations which look at the Scheme as a whole, needing to provide a full range benefit options to cater for the target population, and takes into account the Scheme's financial stability and current reserve levels. Similar losses were anticipated in the budget, which was approved by the Council for Medical Schemes (CMS).

Corrective action

The benefits and contributions proposal approved by the CMS for 2018 included budgeted losses for the benefit options which generated operational losses. As required by the CMS, the Scheme continues to submit monthly management accounts reflecting the performance of the benefit options.

15.2 Non-compliance with Section 26(7) – Late payment of contributions

Nature and impact

Contributions due from a number of employers were received more than three days after becoming due in certain months during 2017, which is in contravention of Section 26(7) of the Act.

Causes for failure

Due to internal process delays the employers did not pay contributions on behalf of members within three days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

Corrective action

The administrator's robust follow-up process has been instrumental in ensuring timeous payment of contributions by employer groups. Scheme Management also continues to engage employer groups to put in place updated Employer-Scheme written contracts compelling employers to pay according to the Scheme Rules and the Act.

15.3 Non-compliance with Section 35(8)(a) – Investments in participating employers

Nature and impact

The Scheme holds investments, via various instruments, with ABSA Bank Ltd, FirstRand Bank Ltd, Landbank SOC Ltd and The Standard Bank of South Africa Ltd who are participating employers of the Scheme. The Scheme also banks with FirstRand Bank Ltd and therefore has various current accounts with this employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

Causes for failure

As these institutions are major commercial banks an investment portfolio excluding these employers would fail to perform optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

Corrective action

The Scheme has obtained an exemption from the CMS.

15.4 Non-compliance with Section 35(8)(c) – Investments in any administrator

Nature and impact

The Scheme has investments in other administrators via unitised fund holdings within the Investec Absolute Opportunity and Prudential Global Real Return portfolios.

Causes for failure

The Scheme invests in pooled investment products with independent third party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

Corrective action

The Scheme has obtained an exemption from the CMS.



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