

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE MEMBERS OF TRANSMED MEDICAL FUND WILL BE HELD ON TUESDAY, 17 NOVEMBER 2020 AT 14:00 AT THE IRENE DAIRY FARM, NELLMAPIUS DRIVE, IRENE, GAUTENG.

THE MATTERS WHICH WILL BE CONSIDERED ARE SET OUT IN THE AGENDA BELOW.

AGENDA

1. Opening formalities
2. Confirmation of the minutes of the Annual General Meeting held on Monday, 12 August 2019
3. Matters arising from the minutes
4. Transmed Medical Fund COVID-19 update and feedback
5. Trustee election feedback
6. Annual Financial Highlights 2019
7. Appointment of the Auditors
8. Annual Trustee fee increase
9. Discussion of motions received from members
10. Trustee appointments

NOTICE

Notices of any motions to be placed before the Annual General Meeting must reach the Secretary no later than seven days prior to the meeting and should be addressed as follows:

The Secretary
Transmed Board of Trustees
PO Box 32043
Braamfontein
2017

Or

101 De Korte Street
Braamfontein
2001

Fax number: 011 403 1740
Email: fundmanagement@transmed.co.za

IMPORTANT

Registration of members of the Fund attending the meeting will commence 45 minutes prior to the meeting. Members will be required to identify themselves by presenting their membership cards to the registration personnel.

MINUTES OF THE ANNUAL GENERAL MEETING OF THE TRANSMED MEDICAL FUND, HELD ON MONDAY, 12 AUGUST 2019 AT 14:00 AT THE IRENE DAIRY FARM, NELLMAPIUS DRIVE, IRENE, GAUTENG

PRESENT

Mr F Mackenzie (Vice-Chairperson)
Mr PL Wassermann (Principal Officer)
Mr E Weyers (Secretary)

The Vice-Chairperson confirmed that there was a quorum present at the Annual General Meeting, in accordance with the rules of the Fund, and declared the meeting open to continue with the official procedures.

1. OPENING FORMALITIES

The Vice-Chairperson welcomed all present to the meeting.

2. CONFIRMATION OF THE MINUTES OF THE ANNUAL GENERAL MEETING HELD ON MONDAY, 12 AUGUST 2019

The minutes of the previous meeting were approved with no amendments. A motion for the approval was supported by Mr B Jonker and seconded by Mr W Goosen.

3. MATTERS ARISING

No new matters were raised by any of the members present.

4. ANNUAL FINANCIAL HIGHLIGHTS 2018

The Annual Financial Statements were reviewed and considered to be correct and were duly adopted by the members present at the meeting.

5. APPOINTMENT OF AUDITORS

The Auditors (Messrs Deloitte & Touche) were appointed as Auditors for the 2019 financial year.

6. ANNUAL TRUSTEE FEE INCREASE

The proposed annual Trustee fee increase was tabled for consideration.

Thereafter, all members of the Fund that were present were given the opportunity to vote on the proposed increase of 6%. After all the votes were cast and counted, the members attending the Annual General Meeting approved the Trustee fee increase of 6%.

7. DISCUSSION OF MOTIONS RECEIVED THAT WERE TABLED AT THE ANNUAL GENERAL MEETING

The Principal Officer confirmed that no motions were received from members for discussion at the Annual General Meeting.

8. TRUSTEE APPOINTMENTS

The Principal Officer referred to the Trustee appointments that were made during the year in the Financial Statements, which described the Trustees, as well as the movements of the Trustees, during the financial year.

MINUTES OF THE ANNUAL GENERAL MEETING OF THE TRANSMED MEDICAL FUND, HELD ON MONDAY, 12 AUGUST 2019 AT 14:00 AT THE IRENE DAIRY FARM, NELLMAPIUS DRIVE, IRENE, GAUTENG (CONTINUED)

9. GENERAL

The Vice-Chairperson opened the floor for informal discussions of a general nature. The Principal Officer was able to deal with all other matters raised to the satisfaction of the members.

10. CLOSURE

There being no further business for discussion, the Vice-Chairperson thanked the members for their attendance and closed the meeting.

CHAIRPERSON

DATE

TRANSMED MEDICAL FUND
(Registration number: 1582)

ANNUAL FINANCIAL HIGHLIGHTS 2019
REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2019

The financial highlights document is a summary of the audited Financial Statements, and as such, is presented in less detail than the audited Financial Statements. For a better understanding of Transmed Medical Fund's financial position and the results of its operations, the financial highlights information should be read in conjunction with the Fund's audited Financial Statements of the corresponding year, which include all disclosures required by the relevant financial reporting framework. A complete set of the Financial Statements is available on written request from the Fund at its registered postal address.

The Board of Trustees hereby presents its annual report for the year ended 31 December 2019.

1. DESCRIPTION OF THE MEDICAL FUND

1.1 TERMS OF REGISTRATION

The Fund is a not-for-profit, restricted medical fund registered in terms of the Medical Schemes Act, 131 of 1998 (the Act), as amended.

1.2 BENEFIT PLANS WITHIN TRANSMED MEDICAL FUND

The Fund offers the following benefit plans to employees and pensioners of Transnet SOC Ltd and its subsidiaries:

- Guardian;
- Link (State Plus Network until 31 December 2018);
- Select (State Plus Own Choice until 31 December 2018); and
- Prime (Private Network until 31 December 2018).

2. MANAGEMENT

2.1 BOARD OF TRUSTEES IN OFFICE DURING THE YEAR UNDER REVIEW AND AT THE DATE OF THIS REPORT:

Employer-appointed Trustees

Mr N Budhai	
Mr L Erasmus	Resigned 30 April 2019
Ms N Galeni	
Mr MJ Mamabolo	
Ms S Moropa	
Ms K Naicker	
Mr V Ramlugaan	Appointed 18 September 2019

Member-elected Trustees

Mr T Campher		
Mr WL Evans		Resigned as Chairperson and Trustee 6 August 2019
Mr HJ Fourie		Appointed 18 September 2019
Mr WH Goosen		
Mr B Jonker	Vice-Chairperson	Appointed as Vice-Chairperson 18 September 2019
Mr F Mackenzie	Chairperson	Appointed as Chairperson 18 September 2019
Mr M Nondywana		

2.2 PRINCIPAL OFFICER

Mr PL Wassermann

1 st Floor Eagle Canyon Office Park	PO Box 32043
C/o Dolfyn and Christiaan de Wet Streets	Braamfontein
Randparkridge	2017
Randburg	
2169	

TRANSMED MEDICAL FUND
(Registration number: 1582)

ANNUAL FINANCIAL HIGHLIGHTS 2019
REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2019 (continued)

2. MANAGEMENT (CONTINUED)

2.3 REGISTERED OFFICE ADDRESS AND POSTAL ADDRESS

1 st Floor Eagle Canyon Office Park	PO Box 32043
C/o Dolfyn and Christiaan de Wet Streets	Braamfontein
Randparkridge	2017
Randburg	
2169	

2.4 FUND ADMINISTRATOR

Momentum Health Solutions (Pty) Ltd

5 th Floor	PO Box 32931
101 De Korte Street	Braamfontein
Braamfontein	2017
2001	

Council for Medical Schemes accreditation number: 13

2.5 MANAGED CARE PROVIDERS

Momentum Health Solutions (Pty) Ltd

Parc du Cap	PO Box 2212
7 Mispel Road	Bellville
Bellville	7535
7530	

Council for Medical Schemes accreditation number: 59

Universal Healthcare (Pty) Ltd

Universal House	PO Box 1411
15 Tambach Road	Rivonia
Sunninghill Park	2128
Sandton	
2128	

Council for Medical Schemes accreditation number: MCO 17

2.6 INVESTMENT MANAGER

Investec Asset Management Ltd

36 Hans Strijdom Avenue
Foreshore
Cape Town
8001

Financial services provider number: 587

2.7 ACTUARIES

NMG Consultants and Actuaries (Pty) Ltd

Belvedere Office Park	PO Box 3950
Block B	Tyger Valley
Pasita Street	7536
Tyger Valley	
7536	

TRANSMED MEDICAL FUND
(Registration number: 1582)

ANNUAL FINANCIAL HIGHLIGHTS 2019
REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2019 (continued)

2. MANAGEMENT (CONTINUED)

2.8 AUDITOR

Deloitte & Touche

5 Magwa Crescent
Waterfall City
Midrand
2066

Private Bag X6
Gallo Manor
2052

3. INVESTMENT STRATEGY OF THE FUND

The Fund's investment objectives are to maximise the return on its investments on a long-term basis at minimal risk. The investment strategy takes into consideration both constraints imposed by legislation and those imposed by the Board of Trustees.

The Board of Trustees ensures that:

- the Fund remains solvent;
- investments are placed at minimum risk and at the best possible rate of return;
- investments made are in compliance with the Regulations of the Act; and
- a risk assessment is performed with feedback to the Board of Trustees with recommendations on the risks identified.

During 2019, the Fund invested in money-market instruments, which included fixed deposits, bonds and cash instruments. This was done mainly to ensure that the Fund had sufficient liquidity available.

The Fund's policy is reviewed annually, taking into consideration compliance with the Act and the risk and returns of the various investment instruments and the surplus of funds available.

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES

4.1 RESULTS OF OPERATIONS

Working member and pensioner (WMP) risk pool

The Trustees have implemented the actions stipulated in the business plan in order to increase the reserve ratio of the WMP risk pool to reach the required 25%.

The WMP risk pool consists of three plans. The Prime plan performed better than budgeted for in 2019, but the Link and Select plans failed to achieve budgetary expectations. This was mainly driven by a significant increase in the number of high-cost cases on the Select plan and the overall deterioration of the risk pool.

The risk profile of the risk pool deteriorated further during the year, partially as a result of the implementation of a new subsidy structure by the employer. The new subsidy structure allows members to belong to other open medical schemes, as approved by the employer. The strategic plan of the Fund is to attract new members to the risk pool in order to improve the risk profile.

The reserve ratio for WMP decreased from 5.4% at 31 December 2018 to 0.37% at 31 December 2019.

The Trustees believe that the risk pool will remain solvent and will build reserves during the 2020 benefit year.

TRANSMED MEDICAL FUND
(Registration number: 1582)

ANNUAL FINANCIAL HIGHLIGHTS 2019
REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2019 (continued)

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (CONTINUED)

4.1 RESULTS OF OPERATIONS (CONTINUED)

South African Transport Services (SATS) pensioner risk pool

Transnet SOC Ltd will continue to fund this risk pool. Quarterly payments of R56.6m will be made during 2020 (2019: quarterly payments of R42.4m).

The SATS risk pool's reserve ratio decreased from 41.8% at 31 December 2018 to 36.91% at 31 December 2019. The risk pool performed better than anticipated for the year.

Transnet SOC Ltd remains committed to funding the SATS risk pool to the level required by the Act.

The Fund

The results of the Fund are set out in the Financial Statements. The reserve ratio decreased from 17.81% at the end of December 2018 to 11.38% at the end of December 2019. Due to the fact that the Fund's reserve ratio is below the required level of 25%, the Fund is currently under financial monitoring by the Council for Medical Schemes (CMS). The Fund has regular interactions with the CMS and constantly keeps the CMS informed of developments at the Fund.

4.2 SOLVENCY RATIO

	2019 R	2018 R
Total members' funds	76 220 911	132 370 964
Less:	(81 848)	(56 558)
Revaluation reserve gain on available-for sale investments	-	-
Unrealised gains on financial assets at fair value through profit or loss	(81 848)	(56 558)
Accumulated funds per regulation 29	76 139 063	132 314 406
Annual gross contributions	669 326 457	743 063 243
Accumulated funds ratio	11.38%	17.81%

4.3 GOING CONCERN

The Board of Trustees considers the Fund to be a going concern. The Board took the following into consideration in the evaluation of the Fund's going-concern status:

- Available cash and investments at the end of the year amounted to R117 727 406.
- Transnet SOC Ltd indicated that it will provide funding for the SATS pensioners to the value of R226.5m during 2020.
- A business plan has been developed by the Trustees, with the assistance of the Fund's actuary, in order to get the Fund to a reserve level of 25%.
- It is expected that the Fund's reserve ratio will increase from 11.38% at 31 December 2019 to 13.87% at 31 December 2020.
- An actuarial model was developed to assist the Trustees to consider the going-concern status of the Fund. Even with the most negative assumptions on membership movements and membership risk profiles, the model indicated that the Fund will be a going concern.

ANNUAL FINANCIAL HIGHLIGHTS 2019
REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2019 (continued)

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (CONTINUED)

4.4 OPERATIONAL STATISTICS

	2019				
	Link	Select	Prime	Guardian	Total
Number of members at the end of the accounting period	1 844	12 895	883	6 735	22 357
Average number of members for the accounting period	1 924	13 511	996	7 130	23 561
Average age of beneficiaries for the accounting period	45	47	66	80	55
Pensioner ratio (beneficiaries > 65 years)	22.8%	31.4%	62.2%	93.0%	45.6%
Average net contributions per member per month	R1 620.91	R2 216.08	R5 937.36	R2 356.73	R2 367.35
Average net contributions per beneficiary per month	R846.07	R1 285.26	R4 591.31	R2 003.75	R1 521.64
Average relevant healthcare expenditure per member per month	R1 238.52	R2 142.40	R7 060.48	R2 458.38	R2 372.11
Average relevant healthcare expenditure per beneficiary per month	R646.48	R1 242.53	R5 459.81	R2 090.18	R1 524.70
Average administration costs per member per month	R177.80	R155.59	R437.63	R369.89	R234.18
Average administration cost per beneficiary per month	R92.81	R90.24	R338.42	R314.49	R150.52
Average managed care services per member per month	R91.88	R65.00	R185.04	R89.94	R79.82
Average accumulated funds per member at 31 December*	WMP = R111.75			R11 057.93	R3 409.26
Beneficiaries per member at 31 December	1.9	1.7	1.3	1.2	1.6
Managed care services as a percentage of net contributions	6%	3%	3%	4%	3%
Risk claims as a percentage of net contributions	71%	94%	116%	101%	97%
Administration expenses as a percentage of net contributions	11%	7%	7%	16%	10%
Non-healthcare expenses as a percentage of net contributions	11%	7%	7%	16%	10%
Return on investments					8.43%

* Accumulated funds are measured for the two risk pools, WMP and SATS, and for the Fund as a whole, but not per benefit plan.

ANNUAL FINANCIAL HIGHLIGHTS 2019
REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2019 (continued)

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (CONTINUED)

4.4 OPERATIONAL STATISTICS (CONTINUED)

	2018				
	State Plus Network	State Plus Own Choice	Private Network	Guardian	Total
Number of members at the end of the accounting period	2 005	14 301	1 251	7 558	25 115
Average number of members for the accounting period	2 097	14 967	1 424	7 990	26 479
Average age of beneficiaries for the accounting period	45	47	66	80	55
Pensioner ratio (beneficiaries > 65 years)	23.7%	32.5%	62.8%	95.5%	47.2%
Average net contributions per member per month	R1 476.88	R2 021.07	R5 295.96	R2 632.55	R2 338.53
Average net contributions per beneficiary per month	R760.38	R1 155.53	R3 946.34	R2 218.08	R1 486.90
Average relevant healthcare expenditure per member per month	R1 135.37	R1 818.47	R7 231.58	R2 538.64	R2 272.72
Average relevant healthcare expenditure per beneficiary per month	R584.55	R1 039.69	R5 388.68	R2 138.96	R1 445.06
Average administration costs per member per month	R167.07	R146.69	R405.95	R339.82	R220.52
Average administration cost per beneficiary per month	R86.02	R83.87	R302.50	R286.32	R140.21
Average managed care services per member per month	R91.50	R63.49	R139.46	R86.87	R76.84
Average accumulated funds per member at 31 December*	WMP = R1 521.88			R13 978.73	R5 270.59
Beneficiaries per member at 31 December	1.9	1.7	1.3	1.2	1.6
Managed care services as a percentage of net contributions	6%	3%	3%	3%	3%
Risk claims as a percentage of net contributions	72%	88%	134%	94%	95%
Administration expenses as a percentage of net contributions	11%	7%	8%	13%	9%
Non-healthcare expenses as a percentage of net contributions	11%	7%	8%	13%	9%
Return on investments					8.38%

* Accumulated funds are measured for the two risk pools, WMP and SATS, and for the Fund as a whole, but not per benefit plan.

ANNUAL FINANCIAL HIGHLIGHTS 2019
REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2019 (continued)

4. REVIEW OF THE FINANCIAL YEAR'S ACTIVITIES (CONTINUED)

4.5 RESERVE ACCOUNTS

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves.

4.6 OUTSTANDING RISK CLAIMS

The basis of calculation of the outstanding risk claims provision is discussed in note 6 of the Financial Statements and is consistent with the prior year. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Fund.

5. ACTUARIAL SERVICES

The Fund's actuaries have been consulted in the determination of the contribution and benefit levels and provide regular reports to the Fund. Reporting also includes the incurred-but-not-reported (IBNR) provision calculation.

6. GUARANTEES RECEIVED BY THE FUND FROM A THIRD PARTY

No guarantees have been received by the Fund for the year ended 31 December 2019.

7. EVENTS AFTER REPORTING DATE

The outbreak of the coronavirus during mid-January has disrupted the Global economic markets. In making their estimates and judgements as at 31 December 2019 (as disclosed in note 20 to the Financial Statements), the Trustees took into consideration the economic conditions and forecasts as at that date. The Board of Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

The following events developed since 31 December 2019:

- On 23 March 2020, the President of South Africa announced a mandatory national lockdown, which commenced on 26 March 2020, as a measurement to curb the spreading of COVID-19. At the date of signing the Financial Statements, the lockdown had been eased to Level 4, based on the risk-adjusted approach adopted by Government.
- On 27 March 2020, the rating agency Moody's announced its decision of downgrading South Africa's long-term foreign and local currency debt ratings from Ba1 to Baa3 and maintains a negative outlook of the country.

The effects of COVID-19 and the downgrade are non-adjusting subsequent events for the year ended 31 December 2019 in terms of IAS 10 Events after the Reporting Period, because the significant development and the spreading of COVID-19 did not take place until January 2020, and the announcement of the downgrade only occurred on 27 March 2020. Therefore these events only occurred after 31 December 2019. Below is the assessment of each of the Fund's significant balance sheet items:

All of the Fund's investable assets were invested in cash and local capital market instruments and will therefore be largely unaffected by these events.

Allowance for expected credit losses as at 31 December 2019 have been based on incurred events at statement of financial position date. Given that the disruptions only occurred in March 2020, the amount recognised as at 31 December 2019 remains unchanged.

Provision for outstanding claims, as disclosed in note 6 to the Financial Statements, is an estimate of the ultimate costs of settling all claims incurred that have been occurred before the end of the reporting period, but have not been reported to the Fund. Given the fact that the risk claims provision as at 31 December 2019 relates to 2019 and prior, the claims provision remains unchanged.

The Board of Trustees is of the opinion that these events should not have a material impact on the Fund's solvency. This opinion is based on an actuarially sound projection and a conservative set of assumptions, which produced a case scenario impact on the Fund's expected claims expense. The worst case scenario indicated an insignificant impact on the Fund's expected claims experience and solvency level. Furthermore, the subsequent COVID-19 related claims monitoring indicated that the worst case scenario is unlikely to materialise. The Trustees will continue to consider the potential impact of the outbreak on significant estimates and judgements going forward.

ANNUAL FINANCIAL HIGHLIGHTS 2019
REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2019 (continued)

7. EVENTS AFTER REPORTING DATE (CONTINUED)

In addition, the financial reporting impact of COVID-19 will be considered in the 2020 Financial Statements.

There have been no other events that have occurred between the end of the accounting period and the date of the approval of these Financial Statements, other than items listed above, that the Trustees consider should be brought to the attention of the members of the Fund.

8. INVESTMENTS IN AND LOANS TO PARTICIPATING EMPLOYERS OF MEMBERS OF THE MEDICAL FUND AND TO OTHER RELATED PARTIES

- The Fund holds no investments in participating employers of the Fund's members.
- Refer to the related party disclosure in note 16 to the Financial Statements.
- Trustee remuneration is disclosed in note 11.1 to the Financial Statements.

9. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried by the Fund assumes the risk of loss from members and their dependants that are directly subject to the risk. The risk relates to the health of the Fund members. As such, the Fund is exposed to the uncertainty surrounding the timing and severity of claims under contract.

The Fund manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management and service provider profiling.

The Fund uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. The theory of probability is applied to pricing and provision for a portfolio of insurance contracts. The principal risk is that the frequency and severity of risk claims are greater than expected.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated with established statistical techniques. There are no changes to assumptions used to measure insurance assets and liabilities that have a material effect on the Financial Statements and there are no terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the Fund's cash flows.

10. AUDIT COMMITTEE

The Audit Committee was established in accordance with the provisions of the Act. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The Committee consists of five members of whom two are members of the Board of Trustees.

The majority of the members, including the Chairperson, are not officers of the Fund or its third-party Administrator. The Committee met on two occasions during the course of the year.

The Principal Officer of the Fund, Momentum Health Solutions (Pty) Ltd, management and the internal and external Auditors attend all Audit Committee meetings and have unrestricted access to the Chairperson of the Committee.

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 Fund's accounting policies, risk management, internal control systems and financial reporting practices. The internal and external Auditors formally report to the Committee on critical findings arising from audit activities.

The Committee presently comprises:

- Mr N Budhai
- Mr K Buthelezi (Chairperson)
- Ms N Galeni
- Mr G Hauptfleisch
- Ms S Thomas.

ANNUAL FINANCIAL HIGHLIGHTS 2019
REPORT OF THE BOARD OF TRUSTEES
For the year ended 31 December 2019 (continued)

11. BOARD OF TRUSTEE COMMITTEE MEETINGS

11.1 MANAGEMENT COMMITTEE

The Management Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties.

The Management Committee incorporates the functions and responsibilities in the following areas:

- financial and investment management;
- supplier management;
- marketing management; and
- managed care management.

11.2 BENEFITS COMMITTEE

The mandate of the Benefits Committee is to:

- make recommendations to the Board on the benefits that are offered to members; and
- ensure long-term viability of the benefit plans.

11.3 REMUNERATION COMMITTEE

The mandate of the Remuneration Committee is to:

- do annual performance appraisals of employee of the Fund; and
- decide on annual increase in the remuneration of employee of the Fund.

11.4 EX GRATIA COMMITTEE

The Ex Gratia Committee approved applications to the value of R358 385 (2018: R352 787) for ex gratia assistance to members. Applications for assistance from members are evaluated against criteria approved by the Board from time to time.

12. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998

12.1 OUTSTANDING CONTRIBUTIONS

Nature and impact

In terms of Section 26(7) of the Act, contributions should be received in accordance with the rules of the Fund. As per the Fund rules, contributions are required to be received at least three days after their due date. Instances were noted where contributions were received late.

Causes for the failure

The reason for this is due to the inherent nature of the business.

Corrective action

Ongoing communication to the employer groups has occurred. The Fund also applied annually to the Council for Medical Schemes (CMS) and obtained an exemption for the three-day contribution rule.

12.2 SELF-SUPPORTING PLANS

Nature and impact

In terms of Section 33(2) of the Act, benefit plans shall be self-supporting in terms of membership and financial performance. The Select, Prime and Guardian plans recorded deficits for the year ended 31 December 2019.

12. NON-COMPLIANCE WITH MEDICAL SCHEMES ACT 131 OF 1998 (CONTINUED)

12.2 SELF-SUPPORTING PLANS (CONTINUED)

Causes for the failure

The Select plan was expected to generate a surplus from operations. The plan experienced an exceptional number of high-cost cases in the earlier part of the year, resulting in the plan reporting a loss from operations. Due to the deteriorating risk profile of the Prime plan, it was anticipated that the plan would produce a loss at operating level. The funding from Transnet SOC Ltd for the Guardian plan was reduced, as the reserve ratio for the risk pool is well above the required level. The reduced funding for the year was the primary reason for the deficit on the plan.

Corrective action

Higher contribution increases and no benefit adjustments were implemented on the Select plan to ensure the plan is self-sustaining. The Prime plan is not sustainable in the long run and has been earmarked for closure as soon as the membership of the option reaches the 500-beneficiary threshold or financial impact analysis indicates that the remaining plans would remain sustainable if the plan were to be closed. A business plan was developed by the Trustees to get the Fund's reserve levels back to 25%.

12.3 RESERVE RATIO

Nature and impact

In terms of Regulation 29, a medical scheme should have reserves of at least 25% of its gross annual contributions. At 31 December 2019, the Fund had a reserve ratio of 11.38%, which is lower than the required level.

Causes for the failure

The working member and pensioner risk profile deteriorated during the year.

Corrective action

A business plan was developed by the Trustees, with the assistance of the Fund's actuary, in order to restore the Fund's reserve levels to 25%. The Council for Medical Schemes approved the business plan.

12.4 PAYMENT OF CLAIMS WITHIN 30 DAYS

Nature and impact

In terms of Section 59(2) a member or provider claim should be settled within 30 days of submission. Instances were noted during sample testing where settlements took more than 30 days.

Causes for the failure

Delays can occur when accounts are referred for clinical, audit or other investigations. These are, however, the exceptions and claims are generally paid within the prescribed time.

Corrective action

The Administrator is aware of the requirements and complies as far as possible. It is, however, an inherent part of the industry where a limited number of problematic claims may exceed the payment requirement of 30 days.

TRANSMED MEDICAL FUND
(Registration number: 1582)

ANNUAL FINANCIAL HIGHLIGHTS 2019
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 R	2018 R
ASSETS			
Non-current assets		112 955 178	168 914 109
Equipment		115 221	214 837
Financial assets at fair value through profit or loss	3	112 839 957	168 699 272
Current assets		11 308 737	11 908 683
Trade and other receivables		6 421 288	7 915 057
Cash and cash equivalents	4	4 887 449	3 993 626
Total assets		<u>124 263 915</u>	<u>180 822 792</u>
FUNDS AND LIABILITIES			
Members' funds		76 220 911	132 370 964
Accumulated funds		76 220 911	132 370 964
Current liabilities		48 043 004	48 451 828
Outstanding risk claims provision		25 704 424	27 856 767
Trade and other payables		22 338 580	20 595 061
Total funds and liabilities		<u>124 263 915</u>	<u>180 822 792</u>

ANNUAL FINANCIAL HIGHLIGHTS 2019
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019	2018
	R	R
Contribution income	669 326 457	743 063 243
Relevant healthcare expenditure	(670 672 587)	(722 153 386)
Risk claims incurred	(648 959 462)	(704 185 182)
Managed care services	(22 567 642)	(24 417 129)
Third-party claims recoveries	854 517	6 448 925
Gross healthcare result	(1 346 130)	20 909 857
Administration expenditure	(66 209 478)	(70 069 166)
Net impairment loss on healthcare receivables	(106 950)	(271 031)
Net healthcare result	(67 662 558)	(49 430 340)
Other income	11 763 832	16 586 121
Investment income	11 708 860	16 057 369
Unrealised gain on investments at fair value through profit or loss	25 290	8 115
Sundry income	29 682	520 637
Other expenditure	(251 327)	(215 062)
Asset management fees	(156 607)	(215 062)
Loss with disposal of equipment	(94 720)	-
Deficit for the year	(56 150 053)	(33 059 281)

TRANSMED MEDICAL FUND
(Registration number: 1582)

ANNUAL FINANCIAL HIGHLIGHTS 2019
STATEMENT OF CHANGES IN FUNDS AND RESERVES
For the year ended 31 December 2019

	Accumulated funds	Revaluation reserve	Total members' funds
	R	R	R
Balance as at 31 December 2017	165 381 802	48 443	165 430 245
Effect of International Financial Reporting Standards (IFRS) 9 reclassification of the revaluation reserve	48 443	(48 443)	-
Opening balance as at 1 January 2018 after IFRS 9 reclassification	165 430 245	-	165 430 245
Deficit for the year	(33 059 281)	-	(33 059 281)
Balance as at 31 December 2018	<u>132 370 964</u>	<u>-</u>	<u>132 370 964</u>
Balance as at 1 January 2019	132 370 964	-	132 370 964
Deficit for the year	(56 150 053)	-	(56 150 053)
Balance as at 31 December 2019	<u><u>76 220 911</u></u>	<u><u>-</u></u>	<u><u>76 220 911</u></u>

SELECTED NOTES TO THE ANNUAL FINANCIAL HIGHLIGHTS DOCUMENT
For the year ended 31 December 2019

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied by the Fund has been listed in the Financial Statements, from pages 23 to 28. The Fund has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the accounting period. The adoption of these new and revised Standards and Interpretations resulted in no material changes to the Fund's accounting policies and has not materially affected the amounts reported for the current or prior years.

2. AVAILABLE-FOR-SALE INVESTMENTS

	2019	2018
	R	R
Fair value of investments at the beginning of the year	-	211 622 317
Effect of reclassification of available-for-sale investments through other comprehensive income to financial assets at fair value through profit or loss	-	(211 622 317)
Fair value of investments at the end of the year	-	-

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair value of investments at the beginning of the year	168 699 272	-
Effect of reclassification of available-for-sale investments through other comprehensive income to financial assets at fair value through profit or loss	-	211 622 317
Additions	498 824 000	477 988 938
Disposals	(565 770 000)	(536 271 000)
Capitalised interest	10 609 875	15 173 207
Realised and unrealised gain on financial assets at fair value through profit or loss	509 562	221 938
Management fees and transaction costs	(32 752)	(36 128)
	<u>112 839 957</u>	<u>168 699 272</u>
Fair value of investments at the end of the year	<u>112 839 957</u>	<u>168 699 272</u>

Investments are summarised as follows:

Money-market instruments	85 886 648	140 387 413
Bonds	<u>26 953 309</u>	<u>28 311 859</u>
	<u>112 839 957</u>	<u>168 699 272</u>

Financial assets at fair value through profit or loss consist of money-market instruments and bonds. A detailed register of investments is available for inspection at the registered office of the Fund. The maturity of the underlying instruments is disclosed on page 50 of the Financial Statements.

The weighted average interest rate received on the money-market portfolio was 8.77% (2018: 7.27%).

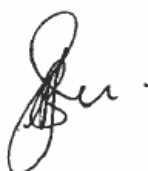
SELECTED NOTES TO THE ANNUAL FINANCIAL HIGHLIGHTS DOCUMENT
For the year ended 31 December 2019 (continued)

4. CASH AND CASH EQUIVALENTS	2019 R	2018 R
Current accounts	4 887 449	3 993 626
	<u>4 887 449</u>	<u>3 993 626</u>

The weighted average effective interest rate on the Fund's current accounts was 3.74% (2018: 4.12%). The carrying amounts of cash and cash equivalents approximate their fair values due to the short-term maturities of these assets.



F Mackenzie
CHAIRPERSON



B Jonker
VICE-CHAIRPERSON



PL Wassermann
PRINCIPAL OFFICER

The Trustees decided to forfeit the Trustee fee increase for 2020/2021.

