

# Annual General MEETING



2022

**Notice is hereby given that the TFG Medical Aid Scheme (TFGMAS) Annual General Meeting (AGM) will be held on the following date and the meeting will be held as follows:**

**Date:** 21 June 2022

**Time:** 11:30

**Venue:** Virtual Meeting

**Registration:** To join the meeting virtually, online registration will close at 11:30 on 20 June 2022

Please note that only principal members, who are in good standing with all contributions due paid up to date, are allowed to attend the meeting. No dependents are permitted to attend the meeting.

Please register your attendance if you will be joining the meeting virtually:

1. Please register by entering <https://reg.lumiengage.com/tfgmas-trustee-elections-agm-2022/tfgmas-agm-2022-login> in your web browser to attend the AGM
2. Members attending the AGM will be required to provide their South African identity number together with their membership number to be able to register their attendance and cast their vote.



## PLEASE NOTE:

By registering your attendance virtually on the Lumi system, you give Lumi Technologies SA Pty Ltd consent to process your personal information on behalf of TFG Medical Aid Scheme (TFGMAS) for purposes of ascertaining your membership status with TFGMAS and establishing your eligibility to vote at the AGM. A guide on how to attend the Virtual meeting is available on the Scheme website by visiting [www.tfgmedicalaidscheme.co.za](http://www.tfgmedicalaidscheme.co.za) and included with this communication.

Agenda for the meeting is as follows:

1. Welcome and quorum
2. Confirmation of the minutes of the 2020 and 2021 Annual General Meetings, held concurrently on 29 June 2021
3. Adoption of 2022 Chairperson's Report
4. To adopt the Annual Financial Statements for the 2021 financial year
5. Governance:
  - 5.1 Appointment of external auditors: Approval of external auditors for 2022 financial year-end
  - 5.2 Voting and confirmation of the Board of Trustees of TFGMAS
  - 5.3 Confirmation of composition of the Audit Committee
  - 5.4 Confirmation of composition of the Disputes Committee
  - 5.5 Rule amendment relating to the term of office of members of the Board of Trustees (Rule 18 amendments)
  - 5.6 Contribution holiday

### **Please notify the Principal Officer of any motions**

The Rules of the Scheme require attendees to notify the Principal Officer of any motions for discussion at least 7 days before the date of the meeting - not later than 11:30 on 14 June 2022.

You can email your motions to [tfgmasagm@discovery.co.za](mailto:tfgmasagm@discovery.co.za)

### **Annual Financial Statements, Trustees' Report and copies of the minutes of the previous Annual General Meeting**

The 2021 Annual Report, including the audited Annual Financial Statements and the Trustees' Report (for the year ending December 2021) will be available on the Scheme's website by the latest 7 June 2022 at 11:30. It may also be requested from the Scheme's call centre on **0860 123 077** from this date.



2022

# CHAIRPERSON'S REPORT

**COVID-19 has had an unprecedented socio-economic impact on the country. Although the domestic and global economies have begun to recover, times continue to be tough, with a very slow economic recovery after the two-year long pandemic, rising inflation, soaring fuel prices, and increasing global instability. However, the Scheme continues to do all it can to cushion members against increasing costs in an industry where medical inflation is approximately 4% higher than the consumer price index (CPI).**

As always, our main considerations when considering the value proposition of the Scheme are:

- Do the Scheme benefits meet the requirements of our members;
- What contribution is required from members to cover the cost of providing services, now and into the future; and
- Member affordability

The Scheme strives to ensure that our members have access to the safest, most efficient and effective healthcare available in South Africa. Our partnership with Discovery Health provides our members with many quality of care initiatives and innovations, which are closely monitored by the Scheme on an ongoing basis, thereby ensuring that our members have financial peace of mind when they or their family experience health issues. The trustees are comforted that our two options, TFG Health and TFG Health Plus, continue to deliver comparative value for money to all our members.

The impact of the COVID-19 National Lockdown on the Scheme was a reduction in the claims experience because, where possible, members avoided hospitals and elective medical procedures. Like many other medical schemes, TFGMAS ended 2021 with a financial surplus. However, we expect that as the pent-up need for care is released, the Scheme will experience cost for additional COVID-19 care, along with the normalisation of claims and this surplus will reduce.

Highlights of the 2021 financial results are enclosed with this document and the detailed Annual Financial Statements (AFS) may be obtained from the Scheme's website, should more details or information be required.

The Scheme's strong financial position and reserve levels have withstood the erratic performance of the stock markets over the past two years. The financial rebound in the latter half of 2021 and into 2022 has been a welcome return to normality.

We are pleased to note that the principal members increased by 6% over this period to 3212 members



## In appreciation

Your trustees thank you, our members, for the support and trust that you have placed in us.

I would like to express my sincere gratitude to the Principal Officer, the Board of Trustees, and committee members who serve in addition to having their other responsibilities as employees of TFG, as well as to our many service providers for their support.

Mr Mike Wilson  
CHAIRPERSON  
May 2022

# TFGMAS Highlights from the ANNUAL FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

	2021 R	2020 R
<b>Assets</b>		
Non-current assets	193 332 601	133 747 937
Fair value through profit or loss investment	193 332 601	133 747 937
<i>Current assets</i>	59 114 588	74 361 850
Trade and other receivables	800 467	1 344 308
Cash and cash equivalents	58 314 121	73 017 542
<b>Total assets</b>	<b>252 447 189</b>	<b>208 109 787</b>
<b>Funds and liabilities</b>		
<i>Members' funds</i>	243 955 740	201 395 174
Accumulated funds	243 955 740	201 395 174
<i>Current liabilities</i>	8 491 449	6 714 613
Outstanding risk claims provision	5 900 000	3 700 000
Trade and other payables	2 591 449	3 014 613
<b>Total funds and liabilities</b>	<b>252 447 189</b>	<b>208 109 787</b>

# TFGMAS Highlights from the ANNUAL FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME

	2021 R	2020 R
<b>Risk contribution income</b>	<b>164 867 875</b>	<b>157 908 274</b>
<b>Relevant healthcare expenditure</b>	<b>(144 384 644)</b>	<b>(124 033 634)</b>
Net risk claims incurred	(140 715 269)	(119 823 268)
Risk claims incurred	(140 973 755)	(120 026 039)
Third party claims recoveries	258 486	202 771
Managed care: management services fees	(4 153 793)	(3 893 791)
Net income/(expense) from risk transfer arrangement	484 418	(316 575)
Risk transfer fees	(2 006 971)	(1 740 285)
Recoveries from risk transfer arrangement	2 491 389	1 423 710
<b>Gross healthcare results</b>	<b>20 483 231</b>	<b>33 874 640</b>
Administration expenses	(9 690 917)	(9 084 653)
Other operating expenses	(1 687 246)	(1 067 899)
Net impairment (losses)/gains on healthcare receivables	(177 042)	38 292
<b>Net healthcare results</b>	<b>8 928 026</b>	<b>23 760 380</b>
<b>Other income</b>	<b>33 632 540</b>	<b>1 815 141</b>
Investment income	33 631 555	1 780 454
Sundry income	985	34 687
<b>Net surplus for the year</b>	<b>42 560 566</b>	<b>25 575 521</b>
<b>Total comprehensive income for the year</b>	<b>42 560 566</b>	<b>25 575 521</b>

# TFGMAS Highlights from the ANNUAL FINANCIAL STATEMENTS

## STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES

	Accumulated funds	Members' funds
	R	R
Balance at 1 January 2020	175 819 653	175 819 653
Total comprehensive income for the year	25 575 521	25 575 521
Balance at 31 December 2020	201 395 174	201 395 174
Total comprehensive income for the year	42 560 566	42 560 566
Balance at 31 December 2021	243 955 740	243 955 740



# TFGMAS Highlights from the ANNUAL FINANCIAL STATEMENTS

## STATEMENT OF CASH FLOWS

	2021 R	RESTATED 2020 R
<b>Cash flows from operating activities</b>		
Cash receipts from members and providers	165 564 735	158 111 045
Cash receipts from members – contributions	165 179 449	157 908 274
Cash receipts from members and providers – other	385 286	202 771
Cash paid to providers, employees and members	(154 899 257)	(131 486 984)
Cash paid to providers and members – claims	(142 972 984)	(121 372 724)
Cash paid to providers and employees – non-healthcare expenditure	(11 926 273)	(10 114 260)
<b>Cash generated from operations</b>	<b>10 665 478</b>	<b>26 624 060</b>
Interest income	3 732 175	3 268 885
Dividends	2 341 798	2 665 598
<b>Net cash flows from operating activities</b>	<b>16 739 451</b>	<b>32 558 543</b>
<b>Cash flows from investing activities</b>		
Acquisitions of investments	(52 056 140)	(2 764 253)
Proceeds on disposals of investments	20 613 269	560 446
<b>Net cash flows from investing activities</b>	<b>(31 442 871)</b>	<b>(2 203 807)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(14 703 420)</b>	<b>30 354 736</b>
Cash and cash equivalents at the beginning of the year	73 017 542	42 662 806
<b>Cash and cash equivalents at the end of the year</b>	<b>58 314 121</b>	<b>73 017 542</b>

The 2020 comparative numbers were restated in order to present the Statement of Cash Flows on the direct method to comply with Circular 52 of 2021.

# TFGMAS Highlights from the **ANNUAL FINANCIAL STATEMENTS**

## **MATTERS OF NON-COMPLIANCE**

*During 2021 the Scheme did not comply with the following sections and regulations of the Medical Schemes Act:*

### **01**

#### **CONTRIBUTIONS NOT RECEIVED WITHIN THREE DAYS OF IT BECOMING DUE**

In terms of Section 26(7) of the Act, all contributions shall be paid directly to a medical scheme not later than three days after payment there of becoming due.

There were a small number of instances, during the year, where the Scheme received contributions after three days of becoming due, however, there are no contracts in place agreeing to this arrangement.

Procedures are in place regarding the collection of these contributions.

### **02**

#### **INVESTMENT IN PARTICIPATING EMPLOYER AND MEDICAL ADMINISTRATORS**

In terms of Section 35(8) of the Act, a medical scheme is prohibited from investing any of its assets in an employer who participates in that scheme or any medical scheme administrators.

At 31 December 2021 the Scheme held shares through linked life policies in The Foschini Group Ltd to the value of R338,941 (2020: R423,623), in Momentum Metropolitan Holdings to the value of R457,092 (2020: R395,743), in Discovery Ltd to the value of R410,997 (2020: R871,518) and in Sanlam Limited to the value of R879,891 (2020: R238,023).

Funds in this specific portfolio are structured at the sole discretion of the asset manager in a manner that maximizes returns. Therefore the Scheme does not make inputs into the structuring of the portfolio. The Scheme has applied for exemption from this section of the Act, and approval is expected based on prior approvals.

### **03**

#### **CLAIMS NOT SETTLED WITHIN 30 DAYS**

In terms of Section 59(2) and Regulation 6(2) of the Act a medical scheme shall pay a member or supplier of services any benefit owing to that member or supplier within 30 days of receipt of the medical claim.

A limited number of exceptions were noted where settlement took longer than 30 days from receipt. These were limited to more complex claims and management is committed to resolve these matters in a responsible manner and in the best interest of the member and the Scheme.

### **04**

#### **SUSTAINABILITY OF BENEFIT OPTIONS**

In terms of Section 33(2) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. At 31 December 2021 the TFG Health option incurred a net healthcare deficit of R7,597,743 (2020: surplus of R3,014,026).

The result for the 2021 year was in line with the Scheme's pricing strategy. The Board of Trustees together with the actuarial consultants are addressing the net deficit in the TFG Health option.

# TFGMAS Highlights from the ANNUAL FINANCIAL STATEMENTS

## KEY FINANCIAL METRICS

Key Financial and Service Metrics	2021 R	2020 R
Members' funds	243 955 740	201 395 174
Solvency ratio	122.30%	111.82%
Membership (Principals)	3 212	3 029
Gross risk contribution income	164 867 875	157 908 274
Accumulated funds per member	75 951	66 489

	2020 TFG Health	2020 TFG Health Plus	2020 Total
Number of members at year-end	1 551	1 478	3 029
Average number of beneficiaries for the accounting period	3 178	3 540	6 718
Average age per beneficiary	28	37	33
Pensioner ratio (beneficiaries >65 years old)	4%	12%	8%
Average risk contributions per member per month	R2 316	R6 223	R4 286
Average relevant healthcare expenditure per member per month	R1 877	R4 832	R3 367
Relevant healthcare expenditure as a percentage of gross contributions	81%	77.6%	78.5%
Non-healthcare expenditure as a percentage of gross contributions	11.8%	4.4%	6.4%

	2021 TFG Health	2021 TFG Health Plus	2021 Total
Number of members at year-end	1 663	1 549	3 212
Average number of beneficiaries for the accounting period	1 601	1 568	3 169
Average age per beneficiary	29	37	33
Pensioner ratio (beneficiaries >65 years old)	4%	11%	7%
Average risk contributions per member per month	R2 351	R6 362	R4 335
Average relevant healthcare expenditure per member per month	R2 442	R5 180	R3 797
Relevant healthcare expenditure as a percentage of gross contributions	103.9%	81.4%	87.6%
Non-healthcare expenditure as a percentage of gross contributions	12.9%	4.8%	7.0%

