



SAMWUM+ED
Real Heritage. Real People. Real Health Care.

20
20 **ANNUAL**
REPORT



WE HAVE TEAMED UP TO BEAT COVID-19.

WHO WE ARE

The South African Municipal Workers Union Medical Scheme (SAMWUMED) is a financially healthy, fully funded, national-accredited and self-administered medical aid scheme, which covers approximately 75 342 lives throughout South Africa. The Scheme's reserve levels remain above 90%, exceeding the required statutory threshold of 25%. Our Scheme continually strives to maintain its standing as one of the most cost-effective Schemes in its category without compromising the quality of our Member Benefits. In this way, we see ourselves not just as a medical aid scheme, but as an advocate of our members' interests and their right to a healthy life.

MISSION STATEMENT

We commit ourselves to service excellence by providing the most affordable, member friendly, accessible and accountable scheme and administration.

VISION

- + To be the leading medical scheme in the local government sector.
- + To provide a holistic and progressive primary health service nationally.
- + To provide guaranteed affordability by offering appropriate benefits and access to the best medical services.
- + To create healthy and satisfied members through education and efficient administration in a member friendly environment.
- + Commitment to the principle of non-profit and to remain sustainable.
- + To be one of the most desired organisations to work for in South Africa.
- + To promote clean, healthy and sustainable environment.

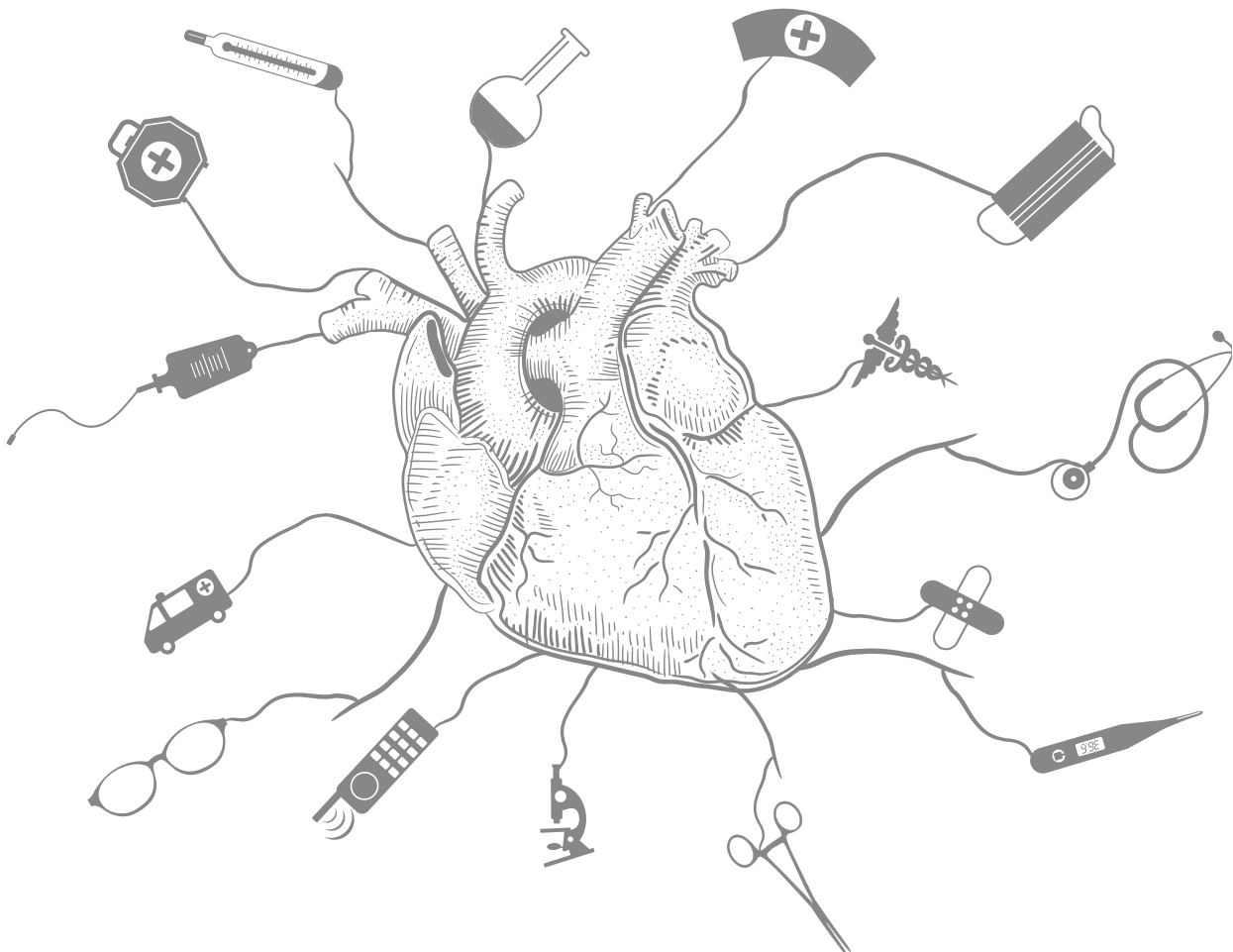


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ANNUAL GENERAL MEETING

21 SEPTEMBER 2021

NOTICE TO CONVENE MEETING

Notice is hereby given that the **Annual General Meeting** (AGM) of the members of the South African Municipal Workers Union Medical Scheme (SAMWUMED) will be held on **21 September 2021 at 09h30 via TMS Virtual Meeting Platform** for the purpose of transacting the following business:

AGENDA

1. Opening and singing of the South African National Anthem
2. Confirmation of the meeting credentials and the reading of notice to convene the AGM
3. Agenda
4. Minutes
 - a. Matters arising
5. Chairperson's Message
6. Principal Officer's Review
7. Operations and Managed Care Report
8. Financial Report for the year ended 31 December 2020
9. Appointment of External Auditors for the 2021 financial year
10. Discuss, note and approve the following special resolutions:
 - a. Filling of the casual vacancy on the SAMWUMED Board of Trustees in terms of Rule 25.4.2
 - b. Replacement of Central Executive Committee (CEC) appointed Trustee
 - c. The Remuneration of the Board of Trustees
11. Notices of Motion
12. Closure

Important:

- Notices of motion to be considered for placing before the AGM must reach the Principal Officer, at the registered address of the Scheme, or by email to agm2021@samwumed.org, by no later than **3 September 2021**. These shall be vetted against the Scheme Rules and the Medical Schemes Act.
- **Identification: members attending the Annual General Meeting (AGM) at a venue must bring along any of the following together with their valid membership cards to secure admission and participation at the AGM:**
 - A South African green bar - coded ID book or Smart card; or
 - A South African Driver's License; or
 - A Passport.

By order of the Board of Trustees.



Francina Mosoeu
Principal Officer

SUMMARY MINUTES

SAMWUMED ANNUAL GENERAL MEETING

Held 18 September 2020

1. OPENING AND SINGING OF THE NATIONAL ANTHEM

The Chairperson of the Board of Trustees **opened** the SAMWUMED Annual General Meeting (AGM) convened on 18 September 2020 which was held virtually and led the meeting in singing the South African national anthem.

The Chairperson conveyed heartfelt condolences on behalf of the Scheme in relation to all who lost their lives due to the ongoing COVID-19 pandemic and urged all to practice the correct protocols in order to keep everyone safe during this unprecedented, turbulent time.

Attendance:

The Chairperson of the Board of Trustees opened the SAMWUMED Annual General Meeting (AGM) convened on 18 September 2020 which was held virtually and led the meeting in singing the South African national anthem.

The Chairperson conveyed heartfelt condolences on behalf of the Scheme in relation to all who lost their lives due to the ongoing COVID-19 pandemic and urged all to practice the correct protocols in order to keep everyone safe during this unprecedented, turbulent time.

SAMWUMED Board of Trustees

Mr. L Sibiya	Chairperson (Member-elected)
Ms. NP Ntsuba	Deputy Chairperson (Union-appointed)
Ms. A Ntuli	Trustee (Union-appointed)
Mr. Benjamin Mdhuli	Trustee (Union-appointed)
Ms. N Bhozo	Trustee (Member-elected)
Ms. M Marule	Trustee (Member-elected)
Mr. M Nzuza	Trustee (Member-elected)
Ms. S Dube	Trustee (Pensioner Member-elected)
Ms. N Adams	Trustee (Member-elected)

SAMWUMED Principal Officer

Ms. MF Mosoeu

INVITEES

Mr. M Maswanganyi	Council for Medical Schemes: Compliance and Investigations
Mr. T Malatji	Malatji & Co Attorneys

Apologies:

Mr. S Kwanyana	Trustee (Union-appointed)
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2. CONFIRMATION OF THE MEETING CREDENTIALS AND THE READING OF THE NOTICE TO CONVENE THE AGM

The Principal Officer announced the Annual General Meeting credentials and read the notice to convene the meeting. The meeting presented a quorum as required by the Scheme Rules with **193 members in good standing**.

The Chairperson afforded members of the Scheme an opportunity to confirm receipt of the Notice of the AGM along with the documents outlining the business of the meeting. Several questions and comments were raised including that the meeting was not adhering to the Rules of the Scheme in terms of the Agenda and the Notice of the AGM being issued to members on time.

The Chairperson thereafter thanked the members of the Scheme for raising their questions and comments and requested the Principal Officer address the matter in relation to when the notices, reminders, and documentation were submitted to members. The Principal provided in-depth feedback as per the request from the Chairperson in relation to the AGM pack, notices, and updates to members.

The Chairperson informed members that initially the AGM was due to be conducted in June annually. In the wake of the COVID-19 pandemic and the nationwide lockdown, medical schemes were encouraged by the Regulator to seek an extension of the date their AGM was to be held and further urged to convene virtual meetings. SAMWUMED made an application to the Regulator in both these instances to ensure compliance with the Medical Schemes Act (MSA).

In light of the information provided by the Principal Officer, the Chairperson confirmed that the notice of the meeting and the meeting credentials were submitted in time, in accordance with the Rules of the Scheme. Reasonable steps were taken by the Scheme to ensure that the required documents were submitted to the members of the Scheme. The meeting credentials were accepted, and the meeting was confirmed as **quorated** in terms of **Scheme Rule 32 1.3** (The quorum of the AGM: 'At least 30 members present in person at the Annual General Meeting shall constitute a quorum').

The Principal Officer confirmed that no proxies were received from members of the Scheme.

3. AGENDA

The meeting **adopted** the Agenda, with no additions.

4. CONFIRMATION OF THE MINUTES

The minutes of the previous Annual General Meeting held on 27 September 2019 at the Riverclub Conference Centre, Observatory, Cape Town was tabled. The Principal Officer confirmed that these minutes were electronically circulated to the members of the Scheme with the Annual Report on 10 September 2020.

The members in attendance at the Riverclub, Cape Town raised a concern that they had not previously received the minutes and had not had sufficient time to review them. The Chairperson afforded the Riverclub five (5) minutes to review the minutes, as the previous AGM was held in Cape Town, with these members having been in attendance on 27 September 2019. These members would therefore be in a position to confirm the accuracy of these minutes.

The meeting **confirmed** receipt, **accepted**, and **approved** the minutes of the AGM held on 27 September 2019, with no changes thereto.

a. Matters arising

The Principal Officer confirmed that there were no items received and raised by members under matters arising.

A member addressed the meeting and raised a matter relating to the appointment of the Scheme auditors (item 6.b. of the previous minutes). He further enquired if the incoming Board of Trustees deliberated and agreed to the continued services of SNG Grant Thornton as the Scheme's appointed auditors, or what the decision taken was in relation thereto.

The Chairperson noted the comment made by the member and confirmed that the appointment of the Scheme's External Auditors is included in the Agenda under item 8, where the members of the Scheme would be required to take a resolution.

5. PRINCIPAL OFFICER'S REVIEW

The Principal Officer presented the 2020 Annual Principal Officer's Overview to the AGM. It was noted that 2019 was quite a turbulent year for the Scheme and the Principal Officer reflected on the Scheme's journey between the 2018 and 2019 financial year, highlighted the key achievements, acknowledged the challenges presented, and provided the future outlook of the Scheme.

The Principal Officer quoted Roy T Bennet by stating: *"Life is about accepting the challenges along the way, choosing to keep moving forward and savouring the journey."*

Scheme Management assisted in transforming the Scheme's processes and operations in order to ensure that existing members were retained in addition to the recruitment of new members.

The Scheme's membership base increased during 2019, which was a positive experience when compared to the last 2 years. An improvement in the Scheme's average age is positive for the long-term sustainability of the Scheme. Achievement of an excellent solvency ratio meant that the Scheme would have the funds to meet its short-term objectives.

The **Scheme benefits** were reviewed during 2019, with the following changes being made thereto:

- The introduction of private care benefits, whilst maintaining affordable contributions for members;
- State Hospitals were removed from the Scheme's network of designated service providers for all in-hospital procedures;
- An increase in the overall annual limit for hospitalisation on both options; and
- An increase in non-PMB Chronic cover on both options.

The following improvements in **Marketing and Communications** occurred during 2019:

- Municipality activations in relation to selling and promoting the SAMWUMED products;
- Establishment of a new interactive and user-friendly website, which includes a chat feature allowing members to engage the Scheme through text and voice calls;
- The implementation of the SAMWUMED Mobile application, where members are able to access their medical information through their smart device; and
- The introduction of Imbizo, the Scheme's Electronic Newsletter, which enables the Scheme to effectively share critical information with stakeholders on a monthly basis.

Due to the implementation of the above-mentioned initiatives, an improvement in customer service was noted, along with quick and convenient turnaround times to resolving member enquiries. In addition, it provided members and stakeholders with convenient platforms to access their information.

During the course of 2019, the **Governance structures of the Scheme** were restored, with the election of the new Board of Trustees, along with the appointment of the Principal Officer and Legal Compliance Officer. Vacant positions at a staff level were filled, with close scrutiny of applicants to ensure appointments of a high caliber. The Scheme invested in the training of staff members to improve the quality of its service offering and to effectively manage the affairs of the Scheme.

The Principal Officer reiterated the words of our President, Cyril Ramaphosa, as it was also applicable to the **Future of the Scheme**: *"A very different South Africa and world awaits us. The greatest test will be our willingness to embrace change. Let us rise to meet this challenge. Let us stand as one family and one nation to build a new and stronger society."*

Although there were much to celebrate, there were also challenges experienced as a result of the COVID-19 pandemic. The Scheme has recommitted to doing all necessary to beat the virus and support members and dependants with access to healthcare. On behalf of the Scheme, the Principal Officer thanked all healthcare professionals, hospitals, and support staff, who continue to care for and treat SAMWUMED members and all other patients with dignity and respect.

In conclusion, the Principal officer thanked all members for their ongoing support and loyalty, the Management Team and Staff members for their hard work and dedication, as well as the ex-Curator for a job well done and ensuring the restoration of the Scheme's governance structures. Lastly, the Principal Officer thanked the new Board of Trustees for ensuring the ongoing smooth running of the Scheme.

The Chairperson thanked the Principal Officer for her presentation and opened the meeting to engage and submit any questions.

Several comments were submitted including but not limited to the following:

- The decentralization of the Scheme in order to support the Scheme's growth objectives;
- That the Scheme offer assistance to identified members not being financially able to pay monthly contributions;
- Improving the visibility of the Scheme through the addition of Brokers, specifically within the Tshwane region;
- The re-introduction of face-to-face member engagements (within set protocol), as not all members have access to digital information; and
- The non-funding of Multivitamins during a pandemic.

The Principal Officer addressed all the questions and concerns and further advised that the Scheme amongst other things is focusing specifically on growing its membership to 40 000 principal members by end of 2020. Various interventions including building up the capacity of Sales Consultants were being prioritised. The Chairperson thanked members for their interaction and encouraged members to actively participate in positively advertising and becoming brand ambassadors of the Scheme. This would assist with the growth in membership numbers and making the target achievable.

6. OPERATIONS REPORT

It was noted that this matter was included and discussed under **Agenda item 5**.

7. FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The meeting noted the Summarised Annual Financial Statements (AFS) of the Scheme for the year ended 31 December 2019, which was included in the 2019 Annual Report. The SAMWUMED Finance Manager tabled the Scheme's financials and highlighted the salient points thereof.

The Scheme has healthy reserves as well as a high solvency ratio. This ensures that the Scheme is able to meet its obligations for the year. There are sufficient reserves to permit the Scheme to continue operating as a going concern through the year 2020.

The Chairperson thanked the Finance Manager of the Scheme for presenting the Financial Report and invited questions from members relating thereto.

Comments were raised by two members including matters regarding "leased equipment" and all queries were responded to in the meeting.

The Annual Financial Statements for the year ended 31 December 2019 were accepted and adopted by the members of the Scheme.

8. APPOINTMENT OF EXTERNAL AUDITORS FOR THE 2020 FINANCIAL YEAR

The Chairperson informed the meeting that in terms of Section 36(1) of the Medical Schemes Act (MSA) 131 of 1998, a medical scheme shall appoint at least one (1) Auditor and Section 36(2) states that the appointment of an auditor shall not take effect unless approved by the Registrar, subject to such terms and conditions that he or she may deem fit. The authorisation and approval of auditors by the Registrar is an annual requirement.

At the 2019 AGM, SNG Grant Thornton was appointed as the Scheme's External Auditors, unfortunately, their application for accreditation as required in terms of the MSA was not granted by the Registrar. Subsequent to this, PricewaterhouseCoopers was appointed as the Scheme's External Auditors by the previous Board of Trustees (Curator) on 25 November 2019.

The Board of Trustees resolved to re-appoint PricewaterhouseCoopers as the Scheme's External Auditors for the 2020 financial year. The resolution was recommended to the members of the Scheme at the 2020 AGM for consideration.

After due consideration, the members **approved** the re-appointment of PricewaterhouseCoopers as the Scheme's external auditors for SAMWUMED for the 2020 financial year.

9. DISCUSS AND APPROVE THE FOLLOWING SPECIAL RESOLUTIONS:

a. Extension of the Board of Trustees term of office – Rule 24.3.1

The Chairperson informed the meeting that Scheme Rule 24.3.1 makes reference to the term of office of the Scheme's Board of Trustees, which is currently a 3-year term. It became apparent that Trustees would be required to fully understand the industry legislative requirements and governance of the Scheme, which includes extensive training, and that the 3 year time period allocated to the tenure of Trustees was not sufficient. The Board of Trustees resolved for the amendment of Scheme Rule 24.3.1 to allow SAMWUMED Trustees a tenure of 5 years (including the current term), was motivated by the following:

- Newly elected and appointed Trustees are required a considerable time to become familiar with the business of the Scheme and typically only start making a meaningful contribution during the second year of their tenure. It is therefore clear that the first year is spent mostly on observation and training;
- It was noted that standard practice within the medical industry encompasses a 5-year tenure for Trustees, with some schemes having implemented a 6-year tenure. The proposed change makes allowance for SAMWUMED to be aligned with best practice within the medical schemes industry; and
- The tenure of Trustees of medical schemes accredited by the South African Local Government Bargaining Council (SALGBC) was noted as follows:
 - Key Health Trustees serve a 4-year term;
 - Bonitas and Hosmed Trustees serve a 5-year term; and
 - LA Health Trustees serve a 6-year term.

The Board of Trustees further resolved that this matter be recommended to the members of the Scheme for consideration at

the 2020 AGM, in order for members to have an understanding of the tasks and duties that lie ahead of Trustees. The principle of good governance as required in the KING IV Report places a duty upon the Board to avoid any conflict of interest and in light of the fact that the proposed resolution includes extending the tenure of the current Board of Trustees. In accordance with Scheme Rule 25.2 and 25.3, the Board is required to act with due care and diligence and in good faith, and furthermore, members of the Board are required to avoid any conflict of interest and to declare any interest they may have in any particular matter serving before the Board. To this end, the Board resolved that for purposes of independence, this matter be approved by the members of the Scheme at the 2020 AGM. This would neutralize any complaints that the current Trustees had benefited from the amendment to Scheme rule 24.3.1.

It was therefore recommended that the members of the Scheme resolve that Scheme Rule 24.3.1 be amended to extend the tenure of Trustees from three (3) to five (5) years, including the current term of office of serving Trustees.

The Chairperson recused himself on this matter in order to avoid any 'conflict of interest' and temporarily handed over the meeting to the Principal Officer.

The Principal Officer thanked the Chairperson and reiterated the rationale for the required extension of the Board of Trustees' term of office (including the current term) from three (3) to five (5) years, as well as the basis for seeking members approval. To this end, the Scheme sought approval from its members to amend Scheme Rule 24.3.1, as recommended by the Board of Trustees.

The Principal Officer afforded the meeting (virtual and venues) an opportunity to provide input on this matter and indicate if they are in favour of the proposed rule amendment.

The members of the Scheme **approved the amendment of Scheme Rule 24.3.1, by majority vote**, to extend the Trustees' term of office from three (3) to five (5) years, including the tenure of the current Board of Trustees.

The Principal Officer handed the meeting back to the Chairperson.

b. Remuneration of the Board members – Rule 24.17

The Chairperson informed the meeting of the Board resolution to recommend the amendment of Scheme Rule 24.17 to the members, which outlines that Board members would only be reimbursed for expenses incurred in relation to the attendance of meetings. Scheme Rule 25.20 reiterates the Scheme's position on this matter and stipulates that Trustees are not eligible to be remunerated or receive any fees in relation to their Trusteeship, other than the reimbursement of expenses incurred in relation to meeting attendance.

The Board of Trustees resolved to recommend for the amendment of Scheme Rule 24.17 in order for Trustees to be remunerated in the form of an Honorarium for preparation and attendance of Board and Committee meetings, excluding the attendance of training and development, Board assessments, and attendance at events where Trustees acts as representatives of the Scheme.

It is important for members to understand that an Honorarium is an ex-gratia payment made whereby the giver recognises themselves as having no liability or legal obligation to a person for his or her service offered in a voluntary capacity, or for services for which a fee is not traditionally required. Specifically, in the case of a medical scheme, this payment is made with the intent to express member gratitude to Trustees for expending their time (which could have been spent elsewhere) to attend to matters in preparation to Board meetings, ensuring the financial wellbeing of the Scheme and other fiduciary duties.

It should be noted that although Employers allow Trustees time-off work for meeting attendance, Trustees need to expand additional hours in order to catch-up with their work. Trustees should therefore be remunerated for what essentially is overtime.

The resolution taken by the Board of Trustees is for the members to approve the amendment of Scheme Rule 24.19 and 25.20

to allow and make provision for the payment of an Honorarium to Trustees for preparation and attendance of Board meetings, the value of which is still to be determined. It should further be noted that medical schemes within the SALGBC remunerate their Trustees on an Honorarium basis, in accordance with their Remuneration Policies.

Section 29(1)(c) of the MSA provides that a rule of a medical scheme provides for, among others, remuneration of officers of the Scheme, which includes members of the Board, Executives, and staff members. In addition, Section 57(8) of the MSA requires the Board to disclose annually and in writing to the Registrar any and all remuneration made to Trustees by the Scheme. Of equal importance, Regulation 6A of the regulations published in terms of the MSA, requires the Annual Financial Statements of the Scheme to reflect all remuneration made to Trustees. The Council for Medical Schemes recommends as part of its guidelines in Circular 14 of 2014 that all medical schemes that choose to remunerate its Trustees should develop a Remuneration Policy which should be approved by the Board of Trustees and/or Remuneration Committee and tabled at the AGM for a vote by members of the Scheme.

Scheme Rule 24.17 further requires that the SAMWUMED Remuneration Policy be approved by members of the Scheme at the AGM. The Board of Trustees resolves to recommend to the AGM the following:

- The amendment of Scheme Rule 24.17 and 25.20 to make provision for the payment of an Honorarium to Board members;
- The quantum of this Honorarium be determined by the independent members of the Remuneration Committee, based on a benchmark study and objective criteria, which would determine the appropriate level; and
- The amendment of the SAMWUMED Remuneration Policy to provide for the amendment provision of the Scheme Rules and payment of the Trustee Honorarium, subject to the determination of the appropriate quantum to be determined by the Remuneration Committee.

The Chairperson recused himself on this matter in order to avoid any 'conflict of interest' and temporarily handed over the meeting to the Principal Officer in order to conclude this matter.

The Principal Officer requested members to engage on this matter, prior to a vote being taken.

The members of the Scheme **approved** the amendment of **Scheme Rule 24.17 and 25.20, by majority vote**, to make provision for the payment of an Honorarium to Board members, the quantum of which is to be determined by the independent members of the Remuneration Committee, based on a benchmark study and objective criteria. This would include the amendment of the SAMWUMED Remuneration Policy to provide for the amendment provision of the Scheme Rules and payment of the Trustee Honorarium, subject to the determination of the appropriate quantum to be determined by the Remuneration Committee.

The Principal Officer handed the meeting back to the Chairperson.

10. NOTICE OF MOTION

The Principal Officer informed the meeting, through the Chairperson that two (2) motions were received, timeously from a member in line with the Scheme Rules. Both these motions were vetted in accordance with the appropriate processes and found ineligible to be submitted to the AGM. Therefore, there were no motions to be submitted to the AGM.

Members attending virtually inquired on what basis were these motions disallowed and what was the content of these motions.

The Chairperson advised that the content of these motions could not be discussed in this meeting, as it had already been disallowed. He further responded by informing the meeting that the Board had a sitting on 17 September 2020 whereby a resolution was taken that all documents relating to these two (2) motions would be interrogated by Board members and tabled at the next Board meeting scheduled for 22 and 23 September 2020.

The Chairperson concluded by confirming that the Board tabled this motion on 17 September 2020, although details of said

motion will not be mentioned, as it was disallowed. A written response was submitted by the Principal Officer to the member outlining why these motions were disallowed.

11. CLOSURE

The Chairperson thanked the members of the Scheme for their attendance and participation in the 2020 AGM. He confirmed that the Board and Executive Team would work effortlessly to ensure the well-being of the Scheme and its members. Members were further encouraged to be ambassadors of the Scheme and positively promote the Scheme to ensure member growth.

There being no further business to discuss, the Chairperson requested the meeting be **closed** by the pensioner Board member in prayer at 13h43.



CHAIRPERSON'S MESSAGE

CHAIRPERSON'S MESSAGE

I would firstly like to dedicate this report to our dear and late Board of Trustee **Honourable Benjamin Mdhuli** who recently passed on and whose contribution to this Scheme will always be remembered. We also wish to pass our condolences to members who lost their loved ones during the period under review. As an organisation whose mission statement is service excellence by providing the most affordable, member friendly, accessible and accountable scheme and administration, he indeed lived to tell the beautiful SAMWUMED story.

As Chairperson of the new Board of Trustees whose duty is to ensure the sound management of members funds, in serving the Schemes objectives, I am excited to present this 2020 Financial Year Annual Report. Without a knowledgeable, committed and determined workforce, it is impossible to have smooth running operations of a medical scheme. SAMWUMED has however through its progressive and brave approach, managed to retain various key expertise in its running of its operations, which contributed greatly to the Scheme's financial stability it finds itself in today. Ours was to amplify what was already in place, by providing strategic guidance and empowering the Management and staff of the Scheme and we hope to continue to do that.

The year under review has seen the following highlights: -

1. The consistent review of the Scheme's operational structure has resulted in the Scheme ensuring all Departments are running optimally to ensure excellent service provision to our most valued stakeholders, our members, especially during the Covid-19 pandemic year.
2. The changes to hospital DSP arrangements gave further access to our members to much needed healthcare services during a time of extreme uncertainties in the healthcare industry.
3. The formulation of Family Practitioner's Network will help us in monitoring and management of our members' healthcare outcomes.
4. Upgrades to our communication channels which continue, enabled us to give access to our members and service providers through the website chat channel, which they now can opt for using the call functionality or typing mode to save time when submitting their queries.
5. 2020 saw us convene our very first and successful Virtual Annual General Meeting (AGM).
6. The Scheme once again was also nominated and shortlisted for the BHF Titanium Award for excellence in creating access to healthcare.
7. We remain with reserves over **90%**, which is way above the statutory requirements of **25%**.

Unfortunately, the industry at large, has experienced a decline in membership due to the economic downfall that all South African consumers are faced with, and this is evident in our Scheme and across all medical aid schemes. Other looming challenges that the Scheme is faced with is an aging membership. Our efforts are thus to deploy new strategies to attract a younger market of new members who can cross subsidize the older members, in order to protect the risk pool.

As a Scheme we are also concerned about the negative impact of Fraud, Waste and Abuse on Schemes and our members, as it is a contributing factor to high claims costs, which negatively impact the pockets of our members. The South African health industry is a **R150bn** industry and recent reports state that the total fraud costs in the South African private healthcare system, is estimated at about **R22bn** a year.

We therefore have a fiduciary responsibility to educate and bring awareness to our members about the effects of Fraud in this industry.

Notwithstanding the above challenges and in the true spirit of caring and living up to be an Essential Healthcare Service Provider, we spent more on caring for our members in 2020. For instance:

The Scheme paid out **R1.3 billion** in claims, an increase of **R106 million** when compared to 2019 claims of

R1.2 billion.

We did this whilst maintaining excellent financial health and growing the Scheme. Our solvency ratio for 2020 was **99.28%** whilst our reserves increased to **R1.48 billion**, from **R1.40 billion** in 2019. Our principal members grew from **33 313** to **34 403** whilst our total covered lives grew from **73 570** to **75 342**.

As the governing body of the Scheme, we continue to look for innovative ways of improving our member benefits and would be looking at conducting studies of our members' needs, to help us in improving what is already a great product offering. Our mission is to ensure that our members continue to support this Scheme as their scheme of choice.

2020 having been our first year as the Board, I am extremely grateful for the support that I receive from the SAMWUMED Board of Trustees. I wish to also extend my gratitude to our Principal Officer, Francina Mosoeu, the Management team and all of our SAMWUMED Staff.

Wishing you and yours a healthy and safe year ahead.

Yours sincerely,



Lindani Sibiya
Chairperson of the Board of Trustees
SAMWUMED



PRINCIPAL OFFICER'S REVIEW

PRINCIPAL OFFICER REVIEW

Dear Stakeholder

This Annual Report has provided us with an opportunity to reflect on our 2020 financial year, an unprecedented year where we found ourselves under attack by the Covid-19 pandemic. Through the challenges faced during this unusual year, many opportunities were identified which left our organisation and many others, adjusting to new ways of running our operations. We suddenly found ourselves working from different environments, locations and at times even make-shift offices.

Throughout all the uncertainties, we did our best to adopt a heart-centered approach in our running of the Scheme by doing a stop start, go inward, and zoom out exercises on the course of actions that we had set out, rather than succumbing to external pressures. I am happy to report that in 2020 SAMWUMED took its position as a **Caring Essential Healthcare Service Provider**.

With a newly established and functional Board of Trustees, the Scheme has seen itself undergo a journey of adhering to good corporate governance, which we strongly believe will lead to an even more sustainable SAMWUMED. The Board of Trustees have indeed been providing sound governance oversight on the Scheme's operations as mandated by our members and Council for Medical Schemes.

Much as there have been milestones reached, we are mindful of the shifting sands in healthcare which make for a challenging terrain. We remain facing challenges such as an ageing population, newer diseases such as Covid-19 and its related conditions and increased mental health diseases (which negatively impact our claims experience), the looming NHI, and changes to the regulatory framework – all of which combined contribute to the high complexity of running a successful, self-administered medical aid scheme.

This annual report not only presents sound governance, a disciplined administration, improvement of our infrastructure, sound leadership and an organisation that is setting itself up to be the most desired organisation to work for in South Africa, but also a Scheme that has highly comprehensive medical aid benefits built to suit our members' pockets. We have thus concluded with certain contracts with third parties that tied us down for extended periods at the end of 2020, leading to dissatisfaction of our members and have engaged and continue to in national hospital network arrangements to ensure healthcare access for our members. Whilst 2020 was a daunting year, we also achieved our set goals of formulating a Family Practitioners' network, which aims to promote comprehensive and sustainable primary healthcare outcomes for our members. We do trust that members will continue to encourage their preferred FPs to join the Scheme's network which is being managed by our current Managed Care Partner, Medscheme.

Our five-year strategic objectives which have been set out by the Board of Trustees, must be supported by innovative, sustainable and measurable efforts to ensure SAMWUMED lives on for years to come. It is thus been a priority for the Scheme to invest in automation and improved communication access channels for our members into the Scheme. Request for proposal for various services including improved Call Centre solutions, forensic investigations and actuarial services are currently under way to help us achieve our goals. In time, our intention is to provide multi-channel platforms that will enable our members to access their benefits at the tip of their fingers, including but not limited to self-service Interactive Voice Recording (IVR) options, downloading and usage of our revamped Mobile App and usage of our ever evolving and user friendly web chat services, that are currently available on our website.

As we continue to pray away this disastrous Covid-19 pandemic, I wish to express my sincere gratitude once again to the Staff and Management of SAMWUMED who continue to serve with passion as essential workers to our members. I also wish to thank the Board of Trustees, Chairperson and Deputy Chairperson for their sound guidance and leadership during this past year.

Our members have also demonstrated high levels of understanding during a very unusual period, and for that we thank you for your commitment and loyalty to our Scheme. I also take an opportunity to thank the many thousands of healthcare professionals and hospitals and support staff, who have tirelessly been taking care and treating our members with the dignity they deserve. You continue to be our heroes and heroines.

Let us continue to do our bit to Beat COVID-19!

Francina Mosoeu

**Principal Officer
- SAMWUMED**

SAMWUMED

Real Heritage. Real People. Real Health Care.



ANNUAL PERFORMANCE AT A GLANCE

AS AT 31 DECEMBER 2020

THE 2020 ANNUAL REPORT

The SAMWUMED 2020 Annual Report has been released. See the Scheme's major performance indicators and milestones at a glance.



MEMBERSHIP STATISTICS

Total Membership - **34 403**
Total Beneficiaries - **75 504**
Average Age **33** (Principal Member)
Average Age **33** (Beneficiary)



MEMBERSHIP PER OPTION

Option A - **12 956** members
Option B - **21 447** members



SOLVENCY

We registered a record breaking solvency level of **99.28%** in 2020. Way above CMS's requirement of 25%



CLAIMS PAID

In 2020 SAMWUMED paid a record breaking **R1.3 billion** in claims



RESERVES

The Scheme is financially healthy with **R1.48 billion** reserves



SURPLUS

SAMWUMED achieved a surplus (profit) of **R68 million** for the year ended 31 December 2020



OPERATIONS REPORT

STRATEGIC MILESTONES

This report provides an overview of SAMWUMED's operations for the 2020 period.

Reflection on SAMWUMED's 2020 milestones

2020 Strategic Objectives	Milestone 2020	Achievements
Financial stability	We provided our members with a financially viable medical scheme and built a reserve level that meets and exceeds the statutory requirements.	Our reserve levels are still above the required statutory threshold of 25% at 99%. This is a commendable performance which will enhance our prospects for growth, notwithstanding the pressure of a growing claims ratio. The Scheme has however applied caution.
Operational Efficiency	Our operations were adjusted to a remote working environment for our staff during a Covid-19 pandemic year.	We were able to continue our operations with majority of Staff working from home and still meet our internal service level agreements. We reviewed and enhanced SAMWUMED's member communication approach through improved technological capabilities. This is a work in progress that remains a key priority for the Scheme.
Stakeholder Management	We utilised effective and creative ways to engage with all our stakeholders	We established direct (formal) communication channels with the employer groups, including hosting our very first Virtual Product Launch to ensure we reach this stakeholder group as far as possible. The e-newsletter Imbizo, continued to be a source of important information for all Scheme stakeholders and grew in the number of readers.
Good corporate governance	SAMWUMED continued to implement the principles of King IV where relevant to the medical scheme's environment, to reflect good corporate governance.	The Scheme has made excellent progress in implementing principles of good corporate governance through the work of its new Board of Trustees. With the appointment of internal Legal Compliance Officer, establishment of committees, who provide expertise and guidance to the Scheme's operations, 2020 was a foundation year for a well-run future SAMWUMED. The 2020 Annual General Meeting was a first to have been attended by 193 members both physically and virtually.

Member centric value proposition	Enhanced our sales and distribution workforce	Our dedicated team of Sales and Servicing Consultants were supported with added resources to ensure effective service and recruitment delivery. During a tough Covid period we managed to obtain a net growth in new membership.
NHI	The Scheme continues to monitor the impact of NHI and its impact on our members.	External factors such as NHI remain a reality for the Scheme and we have taken part in discussions relating to the future of medical schemes through attendance of industry forums and related events to ensure the Scheme keeps abreast of the changes and developments in that space.

SCHEME RISK PROFILE

The table below compares the total schemes membership as at the end of 31 December 2020.

	2019	2020
Number of Members	33 313	34 403
Number of Beneficiaries	73 570	75 342
Average Family Size	2.2	2.18
Average Age of Principal Members	47.4	50.3
Average Age of Beneficiaries	33.0	35.2

During the 2020 benefit year, the (net) number of the principal members increased by **1 090** with an overall net decline in number of beneficiaries by total of **1 752**

The average age of principal members for the scheme has increased by **2,9** years for 2020. The average age beneficiaries increased by **2,2** years for 2020

OPTION A RISK PROFILE

The table below compares Option A's membership as at the end of 31 December 2020.

Option A		
	2019	2020
Number of Members	12 495	12 956
Number of Beneficiaries	25 368	25 914
Average Family Size	2.00	1.99
Average Age of Principal Members	47.8	49.9
Average Age of Beneficiaries	34.4	36.1

The number of principal members has increased by **461** in 2020 for Option A, with a corresponding increase in total beneficiaries of **546**. The average age of principal members on Option A has increased by **2.1** years over the year. The average age of beneficiaries on Option A has increased by **1,7** years for the year.

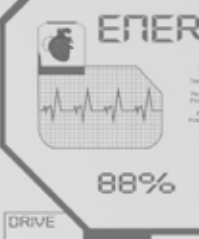
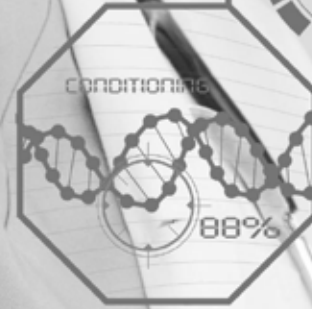
OPTION B RISK PROFILE

The table below compares Option B's membership as at the end of 31 December 2020.

Option B		
	2019	2020
Number of Members	20 818	21 447
Number of Beneficiaries	48 202	49 428
Average Family Size	2.3	2.30
Average Age of Principal Members	47.7	50.5
Average Age of Beneficiaries	32.3	34.7

The number of principal members has increased by **629** in 2020 for option B, with a corresponding increase in total beneficiaries of **1226**. The average age of principal members on Option B has increased by **2.8** years for the year.

The average age of beneficiaries on Option B has increased by **2.4** years for the year.



MANAGED CARE & HEALTHCARE OUTCOMES

EXECUTIVE SUMMARY

Managed Health Care activities include the clinical and financial assessment and management of health care, with a view to facilitate appropriateness and cost effectiveness of relevant health services within the constraints of what is affordable through the use of rules and clinical management-based programmes. This is achieved through collaboration between specialised clinical teams, advanced analytics and policies and protocols that are in line with international best practice whilst being cognisant of the resultant cost. This report will mainly focus on the financial outcomes as a result of managed care activities, including certain clinical outcomes of the managed care interventions itself.

This report provides an overview of the Scheme's progress towards meeting the objectives of funding quality healthcare and the promotion of value-based care. Progress has been measured with reference to a subset of 42 key healthcare quality indicators relating to prevention and screening and the most prevalent chronic illnesses. Indicators have been evaluated on the Scheme trend over time and relative to the whole Medscheme- managed population (referred to as the benchmark). It is important to note that the benchmark is not a target, but rather an indication of the experience of other schemes.

Based on data as at the end of February 2021, for the benefit years 2017 to December 2020:

- Of the 42 key indicators, 48% (20) showed an improvement over the period, while 19% (8) worsened
- 24% (10) of the indicators were better than the Medscheme population benchmark, but 60% (25) were worse
- Out of 8 prevention and screening indicators, 1 improved over the period, 4 remained unchanged and 3 worsened
- The indicator status of the chronic conditions was varied
 - » The latest period includes a period of lockdown due to COVID-19 regulations, which is expected to affect the results for some indicators
 - » Flu vaccination coverage for all lives considered is worse than the population benchmark
 - » All diabetes indicators were worse than the population benchmark, even though 6 improved over the period
 - » All the mental health indicators were worse than the population benchmark, even though 2 improved over the period

In summary, the key quality indicators show that some quality of care improvement is occurring, but that further work is required to ensure all indicators are improving and moving towards desired levels.

Scheme Disease Burden				
	2017	2018	2019	2020
ACG Comorbidity Index		1.06	1.14	1.21
Chronic Condition Prevalence*				
Asthma	2.28%	2.68%	2.89%	3.05%
COPD	0.29%	0.33%	0.26%	0.24%
Diabetes	5.91%	6.52%	7.33%	7.53%
IHD	0.75%	0.87%	0.94%	0.93%
Hypertension	12.53%	13.71%	14.33%	14.70%
Mental Health	1.25%	1.42%	1.55%	1.73%
Congestive Heart Failure	0.45%	0.54%	0.65%	0.65%

*Prevalence is defined as the number of lives registered for a chronic condition for at least one month during the year, expressed as a percentage of the total number of lives who were active beneficiaries for at least 6 months during the year.

Legend						
Trend (T) [#]	↑	Improving	→	No change	↓	Getting worse
Benchmark (B) ^{†, #}	✓	Better than	●	The same as	✗	Worse than

Key Quality Indicators										
Indicator status		Indicator:	Actual				Benchmark			
T	B		2017	2018	2019	2020	2017	2018	2019	2020
Prevention and Screening										
↓	✗	Flu vaccine coverage in the year (age >=65 years)	6.3%	7.7%	7.1%	5.8%	15.5%	16.3%	17.9%	16.5%
↑	✗	Pneumococcal vaccine coverage in the year (age >= 65 years)	0.1%	0.0%	0.0%	0.1%	1.0%	1.1%	1.2%	2.6%
→	✗	Cervical cytology coverage previous 3 years (females age 20-65 years)	24.3%	24.8%	24.1%	21.7%	31.9%	31.3%	31.3%	29.0%
↑	✗	Mammogram coverage previous 2 years (females age 50-74 years)	8.7%	8.8%	8.9%	8.5%	18.3%	18.5%	19.3%	17.3%
↑	✗	Bone densitometry coverage in the year (females age >=65 years)	0.9%	0.9%	1.2%	0.9%	4.1%	4.2%	4.2%	3.0%
↑	✗	Cholesterol screening in the year (age >= 40 years)	20.2%	19.4%	23.6%	21.1%	27.4%	28.3%	30.9%	27.8%
→	✗	Colorectal cancer screening in the year (age >= 50 years)	1.9%	1.7%	2.1%	1.5%	3.5%	3.8%	3.8%	2.9%
→	●	GP visit coverage in the year for lives with chronic conditions	95.1%	94.0%	93.1%	91.6%	90.7%	90.7%	90.8%	88.5%

Key Quality Indicators										
Indicator status		Indicator:	Actual				Benchmark			
T	B		2017	2018	2019	2020	2017	2018	2019	2020
Asthma Lives										
➡	❌	Flu vaccination	4.1%	6.1%	5.6%	4.9%	9.8%	11.2%	12.3%	12.4%
⬇️	✅	Lung function test	19.5%	20.7%	21.1%	14.0%	12.1%	11.4%	11.6%	8.8%
⬇️	❌	Drug compliance	68.7%	65.9%	59.5%	66.1%	66.4%	65.5%	62.9%	61.5%
⬆️	❌	Admission rate (respiratory event)	11.6%	9.0%	10.0%	4.8%	5.5%	8.0%	7.7%	4.4%
⬇️	❌	Multiple admissions rate (respiratory event)	2.9%	1.6%	2.5%	0.6%	0.8%	1.5%	1.7%	0.7%
COPD Lives										
⬇️	❌	Flu vaccination	11.3%	9.3%	9.3%	8.4%	22.1%	23.3%	26.9%	23.3%
➡	✅	Lung function test	43.8%	41.1%	42.3%	31.8%	28.8%	27.8%	31.5%	23.4%
⬆️	✅	Admission rate (respiratory event)	20.8%	15.9%	13.9%	11.2%	14.8%	16.2%	17.3%	10.4%
⬆️	✅	Multiple admissions rate (respiratory event)	7.1%	2.0%	3.6%	1.1%	2.2%	5.0%	6.0%	3.0%

Key Quality Indicators										
Indicator status		Indicator:	Actual				Benchmark			
T	B		2017	2018	2019	2020	2017	2018	2019	2020
Hypertension Lives										
↑	⊗	Creatinine test coverage	49.8%	46.4%	54.8%	51.7%	54.6%	56.8%	61.1%	56.9%
↑	⊗	Cholesterol test coverage	38.5%	36.0%	41.8%	38.8%	42.7%	44.4%	48.0%	43.6%
→	⊗	Drug compliance	72.6%	71.7%	71.0%	78.1%	80.8%	81.9%	80.8%	81.5%
↑	⊙	Admission rate (cerebro-vascular event)	0.5%	0.6%	0.4%	0.3%	0.2%	0.5%	0.5%	0.4%
Diabetes (Type 1 and 2) Lives										
↑	⊗	HbA1c coverage (at least 2 tests per year)	16.2%	17.7%	20.4%	19.2%	21.6%	24.2%	25.8%	22.8%
↑	⊗	Cholesterol test coverage	48.1%	46.3%	49.6%	47.9%	52.4%	55.5%	58.9%	55.2%
→	⊗	Creatinine test coverage	53.7%	56.9%	62.3%	60.1%	64.4%	67.1%	70.4%	67.2%
↑	⊗	Statin coverage	50.0%	52.7%	51.1%	53.1%	49.9%	53.8%	56.5%	58.0%
↓	⊗	Admission rate (short term complications)	5.4%	4.8%	5.7%	4.1%	2.5%	4.6%	4.3%	3.4%
↓	⊗	Multiple admission rate (short term complications)	0.9%	0.6%	1.1%	0.6%	0.1%	0.7%	0.7%	0.4%
↓	⊗	Hypoglycaemia admission rate	0.2%	0.2%	0.2%	0.1%	0.0%	0.1%	0.1%	0.1%

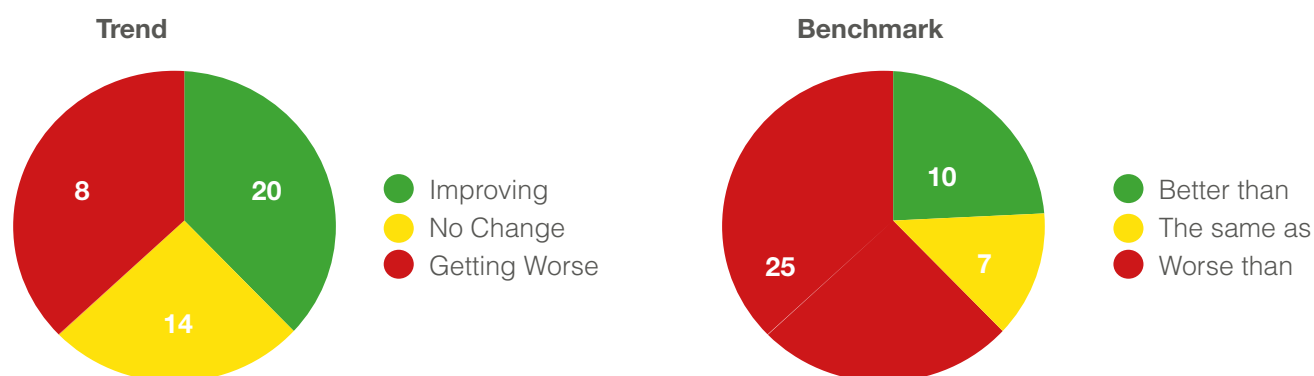
Key Quality Indicators

Indicator status		Indicator:	Actual				Benchmark			
T	B		2017	2018	2019	2020	2017	2018	2019	2020
IHD Lives										
➡	✔	Aspirin coverage	82.2%	80.8%	81.1%	80.6%	76.0%	75.6%	75.7%	75.5%
➡	✔	Statin coverage	82.9%	83.6%	83.4%	82.9%	78.0%	78.5%	79.2%	79.2%
⬇	✔	Beta blocker coverage	71.4%	69.9%	65.8%	66.5%	57.5%	57.8%	58.4%	58.1%
⬇	✖	INR coverage	92.5%	89.1%	85.4%	90.5%	91.7%	92.3%	92.5%	90.6%
⬆	✖	Electrocardiogram	53.7%	53.2%	53.2%	46.8%	51.7%	51.6%	53.2%	48.0%
⬇	✖	Cholesterol test coverage	53.5%	50.8%	54.2%	51.4%	54.3%	55.3%	58.1%	53.0%
➡	✔	Admission rate (cardiac conditions)	21.2%	18.6%	17.3%	13.7%	12.2%	21.0%	19.9%	14.7%
⬇	✔	Multiple admission rate (cardiac conditions)	5.8%	5.5%	4.2%	3.7%	2.1%	6.1%	6.3%	4.6%
Mental Health Lives										
⬇	✖	Drug compliance	48.9%	47.0%	44.1%	50.1%	65.0%	65.0%	63.0%	62.4%
⬇	✖	Admission rate (mental health conditions)	16.1%	17.7%	16.1%	10.6%	10.7%	13.2%	12.8%	9.2%
⬇	✖	Multiple admission rate (mental health conditions)	4.2%	3.2%	2.5%	1.4%	1.1%	1.7%	1.4%	0.9%

Key Quality Indicators										
Indicator status		Indicator:	Actual				Benchmark			
T	B		2017	2018	2019	2020	2017	2018	2019	2020
Congestive Heart Failure Lives										
➡	🟡	ACE/ARB inhibitor coverage	66.6%	65.4%	64.4%	64.8%	67.5%	67.2%	67.0%	66.1%
➡	🟡	Admission rate (cardiac failure)	13.3%	13.0%	11.6%	9.1%	9.7%	10.6%	11.8%	7.3%
⬇	✅	Multiple admission rate (cardiac failure)	3.8%	2.7%	1.5%	1.8%	1.2%	2.6%	2.6%	1.5%

[†]Average of other Medscheme schemes' experience or risk-adjusted expected value based on overall Medscheme experience Trend is evaluated against a 5% collar on 2016 (compared to 2019), while benchmark is evaluated against a 5% collar on 2019

Cumulative Indicator Status: 42 Indicators



Count of indicators	Trend			Better than	Benchmark	
	Improving	No change	Getting worse		The same as	Worse than
Prevention and Screening	1	4	3	0	1	7
Asthma Lives	3	1	1	3	0	2
COPD Lives	2	0	2	2	0	2
Hypertension Lives	2	2	0	1	1	2
Diabetes (Type 1 and 2) Lives	6	1	0	0	0	7
HD Lives	2	4	2	4	4	0
Mental Health Lives	2	1	0	0	0	3
Congestive Heart Failure Lives	2	1	0	0	1	2



SUMMARISED ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business	SAMWUMED is a self-administered medical scheme registered with the Council for Medical Schemes in Compliance with the Medical Schemes Act 131 of 1998.
Board of Trustees	<p>S Dube</p> <p>N Bhozo</p> <p>L Sibiya</p> <p>M Marule</p> <p>A Ntuli</p> <p>S T Kwanyana</p> <p>N P Ntsuba</p> <p>M Nzuzo</p> <p>R Letsoalo</p>
Registered office	<p>Cnr. Lascelles Road and Trematon Street</p> <p>Athlone</p> <p>7764</p>
Postal address	<p>P.O. Box 134</p> <p>Athlone</p> <p>Cape Town</p> <p>7760</p>
Bankers	First National Bank, a division of First Rand Bank Limited
Auditors	<p>PricewaterhouseCoopers Inc.</p> <p>Registered Auditors</p>
Scheme registration number	394
Attorneys	Malatji & Co Attorneys
Level of assurance	These summarised financial statements have been audited in compliance with the applicable requirements of the Medical Scheme's Act of 1998.

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees hereby presents its report for the period ended 31 December 2020.

1. DESCRIPTION OF THE MEDICAL SCHEME

1.1 Terms of registration

SAMWUMED (the Scheme) is self-administered, non-profit restricted medical scheme registered in terms of the Medical Schemes Act 131 of 1998 (the Act), as amended.

Registration number: 394

1.2 Benefit options within SAMWUMED

The Scheme offers two benefit options to members:

- **Option A**
- **Option B**

SAMWUMED is a self-administered medical scheme registered with the Council for Medical Scheme in Compliance with the Medical Scheme Act of 1998.

2. INVESTMENT STRATEGY OF THE MEDICAL SCHEME

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

All investment decisions are approved by the Board of Trustees based on the following holding true:

- The Scheme remains liquid;
- Investments are placed at minimum risk and the best possible rate of return;
- Investments are made in compliance with the Regulations to the Act; and
- Premised on our commitment and contribution to a just and fair society.

During the year under review the Scheme had placed its funds under asset management, a portion in call deposits. The Scheme's investment policy is reviewed taking into consideration compliance with the Act, the risk and returns of various investment instruments and the surplus funds available.

3. MANAGEMENT OF INSURANCE RISK

The primary insurance activity carried out by the Scheme assumes the risk of loss from its members and their dependants that are directly subject to the risk. This risk relates to the healthcare needs of Scheme members. As such the Scheme is exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract.

The Scheme manages its insurance risk through benefit limits and sub-limits, approval procedures for transactions that involve pricing guidelines, pre-authorisation and case management, service provider profiling, centralised management of emergency response services, and the monitoring of emerging issues.

The Scheme uses several methods to assess and monitor insurance risk exposures both for individual types of risks and insured overall risks. These methods include internal risk measurement models, sensitivity analysis, scenario analysis and stress testing. The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts.

The principal risk is that the frequency and severity of claims are greater than expected. 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 were no changes to the assumptions used to measure insurance assets and liabilities that have a material effect on the financial statements and there were no terms and conditions of insurance contracts that had a material effect on the amount, timing and uncertainty of the Scheme's cashflows.

4. MANAGEMENT

4.1 Board of Trustees

The Board of Trustees are appointed in terms of the Scheme Rules. The table below sets out the changes in the composition of the Board of Trustees during the year under review:

Trustees	Changes	
N Bhozo	(member elected)	
M Marule	(member elected)	
L Sibiya	(member elected)	
N Adams (Simons)	(member elected)	Termination (resignation) Friday, on 22 December 2020
S T Kwanyana	(trade union appointed)	
S Dube	(member elected - pensioner trustee)	
B Mdhuli	(trade union appointed)	Termination (deceased) on Monday, 12 April 2021
R Letsoalo	(member elected)	Appointed Monday, 15 February 2021
M Nzuza	(member elected)	
N P Ntsuba	(trade union appointed)	
A Ntuli	(trade union appointed)	
J M Seoloane	(Curator)	Curatorship was lifted on Thursday, 7 May 2020

Governance Matters

The Scheme was placed under permanent Curatorship effective from 25 October 2018. The Curatorship on SAMWUMED exceeded the initial 12 months due to the delays experienced with the election process of the new Board of Trustee members. Further delays were experienced in the processing and delivery of the court papers uplifting the Curatorship as a result of the COVID-19 lockdown.

The Scheme Curatorship was lifted on the 07 May 2020 and effectively from this date the elected Board of Trustees and the Principal Officer took over the business of the Medical Scheme.

4.2 Curator:

Johannes Malose Seoloane
Cnr. Lascelles Road and Trematon Street
Athlone
7764

P.O. Box 134
Athlone
7760

4.3 Principal Officer

M.F. Mosoeu
Cnr. Lascelles Road and Trematon Street
Athlone
7764
Date appointed: 01 December 2019

P.O. Box 134
Athlone
7760

The Curatorship on SAMWUMED was lifted on 7 May 2020. The Principal Officer assumed her responsibilities after this date although she was appointed on 01 December 2019.

4.4 Actuaries

Alexander Forbes Health (Proprietary) Ltd
40 Dorp Street
Stellenbosch
7760

P.O. Box 700
Stellenbosch
7599

4.5 Auditors

PricewaterhouseCoopers Inc.
5 Silo Square
V & A Waterfront
Cape Town
8002

P.O. Box 2799
Cape Town
8000

4.6 Asset Managers

Argon Asset Management (Proprietary) Limited
1st Floor Colington House
The Oval
1 Oakdale Road
Newlands
7700
FSP 835
Date appointed: 30 April 2019

Prudential Portfolio Managers (South Africa) Life Limited

5th Floor Protea Place
40 Dreyer Street
Claremont
7700
FSP 45199

P.O. Box 44813
Claremont
7735

Ninety-One Fund Managers SA (RF) (Proprietary) Limited

36 Hans Strijdom Avenue
Cape Town
8001
FSP 587

P.O. Box 1826
Cape Town
8000

Mazi Asset Management (Proprietary) Ltd

4th Floor North Wing
90 Rivonia Road
Sandton
2196
FSP 46405
Date appointed: 13 May 2019

PO Box 784583
Sandton
2146

Allan Gray Life Limited

1 Silo Square
V&A Waterfront
Cape Town
8001
FSP 6663
Date appointed: 14 February 2019

P.O. Box 51318
Cape Town
8002

Stanlib Unit Trust

17 Melrose Boulevard
Melrose Arch
2196
FSP 719
Date appointed: 14 February 2019

P.O. Box 202
Melrose Arch
2076

Aluwani Capital Partners (Proprietary) Ltd

EPPF Office Park
24 Georgian Crescent East
Bryanston East
2152
FSP 46196
Date appointed: 13 May 2019

4.7 Investment Consultants

Old Mutual Wealth Trust Company (Proprietary) Limited
2 Oxbow Crescent
The Estuaries
Century City
7441
FSP 18427

4.8 Fixed and Call Account Managers

Rand Merchant Bank
1 Merchant Place
Cnr Fredman Dr & Rivonia
Sandton
2196

Standard Bank Limited

10th Floor, The Tower
North
Cape Town
8001
FSP 11287

ABSA

3rd Floor Bridepark East,
5 Bridgeway, Century City
Cape Town
744
FSP 34766

5. ACTUARIAL SERVICES

The Scheme's actuaries, Alexander Forbes Health (Proprietary) Ltd, have been consulted in the determination of the contribution increases and the benefit of the Scheme. The actuarial services were secured on a retainer basis for the year under review. The work also included conducting risk assessments, budget reviews, outstanding claims provision as well as the IAS 19 valuation of the retirement benefit obligations.

6. GUARANTEES RECEIVED BY THE SCHEME FROM A THIRD PARTY

There are no guarantees received by the Scheme from a third party.

7. INVESTMENT IN AND LOANS TO PARTICIPATING EMPLOYERS AND OTHER RELATED PARTIES

The Scheme holds no investment in the participating employers of the Scheme's members.

8. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The Scheme recorded a net surplus for the year ended 31 December 2020 of **R68 047 228**. This represented a decrease of **1%** from the net surplus for the prior year of **R68 967 542**. Scheme risk contribution income increased by **11%** from **R1 331 418 449** in the prior year to **R1 483 380 706** for the year ended 31 December 2020.

8.1 Operational statistics

Operational Statistics 2020	Option A	Option B	Total
Number of members at year end	12 956	21 447	34 403
Number of dependants at year end	12 958	27 981	40 939
Number of beneficiaries at year end	25 914	49 428	75 342
Average number of members for the year	11 865	22 630	34 495
Average number of dependants for the year	14 105	26 904	41 009
Average number of beneficiaries for the year	25 970	49 534	75 504
Number of new members	434	828	1 262
Number of members leaving the Scheme	477	910	1 387
Average age of Principal Members	32	32	33
Average age of Dependants	21	20	20
Average age of Beneficiaries	34	32	33
Risk contribution per average beneficiary per month*	1 359	1 788	1 641
Risk contribution per principal member per month*	2 719	4 121	3 593
Relevant healthcare expenditure as a percentage of risk contributions	88,75%	94,33%	92,74%
Healthcare expenditure per average beneficiary per month*	1 206	1 687	1 522
Healthcare expenditure per principal member per month*	2 413	3 888	3 332
Broker fees per average beneficiary per month*	8	8	8
Broker fees per average principal member per month*	4	3	4
Broker fees as a percentage of risk contributions	0,29%	0,19%	0,22%
Non-healthcare expenditure per average beneficiary per month*	123	107	113
Non-healthcare expenditure per average principal member per month*	247	247	247
Non-healthcare expenditure as a percentage of risk contributions	8,51%	5,62%	6,44%
Average accumulated funds per member at 31 December*	42 931	42 931	42 931
Pensioner ratio at year end	5,22%	3,78%	4,28%
Dependant ratio to members at year end	1.00	1.30	1.19
Return on investments as a percentage of investments	4,28%	4,28%	4,28%
Solvency Ratio			99,28%

* These figures are Rand denominated.

Averages are calculated using the sum of the 12 months' actual month-end membership divided by 12.

8.1 Operational statistics - continued

Operational Statistics 2019	Option A	Option B	Total
Number of members at year end	12 495	20 818	33 313
Number of dependants at year end	12 873	27 384	40 257
Number of beneficiaries at year end	25 368	48 202	73 570
Average number of members for the year	11 524	21 897	33 421
Average number of dependants for the year	13 925	26 549	40 474
Average number of beneficiaries for the year	25 449	48 357	73 806
Number of new members	1 281	2 434	3 715
Number of members leaving the Scheme	1 157	2 199	3 356
Average age of Principal Members	32	32	33
Average age of Dependants	21	20	20
Average age of Beneficiaries	34	32	33
Risk contribution per average beneficiary per month*	1 261	1 638	1 508
Risk contribution per principal member per month*	2 561	3 793	3 331
Relevant healthcare expenditure as a percentage of risk contributions	95%	95%	95%
Healthcare expenditure per average beneficiary per month*	1 204	1 562	1 439
Healthcare expenditure per principal member per month*	2 444	3 617	3 177
Broker fees per average beneficiary per month*	4	2	1
Broker fees per average principal member per month*	6	6	6
Broker fees as a percentage of risk contributions	0.29%	0.20%	0.25%
Non-healthcare expenditure per average beneficiary per month*	119	104	109
Non-healthcare expenditure per average principal member per month*	241	242	241
Non-healthcare expenditure as a percentage of risk contributions	9.40%	6.37%	7.25%
Average accumulated funds per member at 31 December*	42 270	42 270	42 270
Pensioner ratio at year end	5.67%	3.89%	4.50%
Dependant ratio to members at year end	1.03	1.32	1.21
Return on investments as a percentage of investments	6.36%	6.36%	6.36%
Solvency Ratio			103.80%

*These figures are Rand denominated.

Averages are calculated using the sum of the 12 months' actual month-end membership divided by 12.

8.2 Results of operations

The results of operations are set out in the summarised annual financial statements.

8.3 Solvency ratio

	2020	2019
	R	R
Total members' funds per Statement of Financial Position	1 503 243 221	1 444 136 789
Unrealised non-distributable reserve	(14 305 241)	(23 699 039)
Cumulative net gain on re-measurement to fair value of properties and investments included in accumulated funds	(4 281 617)	(26 959 520)
Cumulative net gain on re-measurement of post-retirement medical benefit	(11 981 000)	(11 528 000)
Accumulated funds per Regulation 29	1 472 675 363	1 381 950 230
Risk contributions	1 483 380 706	1 331 418 449
Solvency ratio	99,28%	103.80%
Opening balance of revaluation reserves	23 699 039	18 312 410
(Losses) / Gains on revaluation of land and buildings	(9 393 798)	5 386 629
Cumulative net gain on re-measurement to fair value of properties included in accumulated funds	14 305 241	23 699 039

8.4 Reserve accounts

Movements in the reserves are set out in the Statement of Changes in Funds and Reserves. There have been no unusual movements that should be brought to the attention of the members of the Scheme.

8.5 Outstanding claims provision

The basis of calculation and movements on the outstanding claims provision are set out in Note 11 to the summarised annual financial statements. There have been no unusual movements that the Board of Trustees believes should be brought to the attention of the members of the Scheme.

9. AUDIT AND RISK COMMITTEE

The Scheme was placed under permanent Curatorship effective from 25 October 2018 which was then subsequently lifted on 07 May 2020. The Board of Trustees were elected on 30 October and 05 November 2019 respectively. The Board of Trustees commenced with their fiduciary duties upon upliftment of Scheme Curatorship on 07 May 2020. The Audit and Risk Committee was appointed by the Board of Trustees on 01 November 2020 and their first meeting held on 14 December 2020.

10. FINANCE AND INVESTMENT COMMITTEE

The Scheme was placed under permanent Curatorship effective from 25 October 2018 which was then subsequently lifted on 07 May 2020. The Board of Trustees were elected on 30 October and 05 November 2019 respectively. The Board of Trustees commenced with their fiduciary duties upon upliftment of Scheme Curatorship on 07 May 2020. The Finance and Investment Committee was appointed by the Board of Trustees on 01 November 2020 and their first meeting held on 23 November 2020.

11. TRUSTEE MEETINGS AND REMUNERATION

The following schedule sets out the Board of Trustees meetings and attendances by members of the Board of Trustees. Trustees expenses are disclosed in note 16 of the summarised annual financial statements

Board of Trustees	Board Meeting		Special Board of Trustees meetings		Audit & Risk Committee meetings		Finance & Investment Committee meetings		Clinical Risk and Ex-Gratia Committee meetings		Benefit Review Committee meetings		Remuneration Committee meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
S Dube	4	4	6	6	-	-	-	-	1	1	-	-	-	-
N Bhozo	4	4	6	6	-	-	-	-	-	-	2	2	-	-
L Sibiya	4	4	6	5	-	-	1	1	-	-	2	2	1	1
M Marule	4	4	6	6	1	1	-	-	-	-	-	-	-	-
N Adams (Simons)	4	3	6	4	-	-	-	-	-	-	2	2	-	-
G M Nzuza	4	4	6	6	1	1	1	1	-	-	-	-	-	-
A Ntuli	4	3	6	5	-	-	-	-	-	-	2	2	-	-
E B Mdhuli	4	2	6	4	-	-	-	-	-	-	-	-	-	-
N P Ntsuba	4	3	6	6	-	-	1	-	-	-	-	-	-	-
S T Kwanyana	4	4	6	3	-	-	-	-	-	-	2	1	-	-

A = Number of meetings eligible to attend

B = Total number of meetings attended

SAMWUMED Board of Trustees are not remunerated for their services as Trustees.

Independent members of the committees are not included on the above list.

12. BOARD OF TRUSTEE - COMMITTEES MEETINGS AND REMUNERATION

The table below sets out the meetings attended by the Independent delegates to the Board committees

Name	Committee	Number of meetings attended	Costs
M Ngwenya	Remuneration (Chair)	1	18 000
N Madiba	Remuneration	1	12 000
N Qwabe	Remuneration	1	12 000
A Wakaba	Finance and Investment	1	12 414
V Mbonani	Finance and Investment	1	12 168
M Mathibe	Procurement (Chair)	2	36 000
M Majatladi	Clinical Risk and Ex Gratia	1	18 000
C Phehlukwayo	Audit and Risk (Chair)	1	18 000
P Ganesan	Audit and Risk	1	12 000
S Mkhize	Audit and Risk	1	12 067

13. AUDITORS

PricewaterhouseCoopers Inc. were appointed as external auditors of the Scheme for 2020 financial year by the Board of Trustees in compliance with the Scheme Rules.

14. ISSUES OF NON-COMPLIANCE

14.1 Contravention of Section 26(7) of the Medical Scheme Act

Nature and impact of non-compliance

In terms of Section 26(7) of the Medical Schemes Act 131 of 1998, as amended, all contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.

Cause of non-compliance

The Scheme encounters employer groups who do not make their contribution payments within the statutory prescribed time. For the employer groups identified, causes of non-compliance range from administrative to cashflow challenges. The Scheme Management continuously follow up with these employer groups until payment is received. The outstanding contributions are however received but not in compliance to the statutory prescribed time.

Corrective action

Non-compliant employer groups are continuously notified of the non-compliance and requested to make payment of the outstanding contributions. The Scheme currently enforces the debt management policy to mitigate the risk.

14.2 Contravention of Section 33(2) of Medical Scheme Act

Nature and impact of non-compliance

In terms of Section 33(2) of the Medical Schemes Act 131 of 1998, as amended, each benefit option is required to be self-supporting in terms of membership and financial performance and be financially sound.

Cause of non-compliance

During the financial period under review, Option B of the Scheme did not comply with Section 33 (2) in terms of financial performance.

BENEFIT OPTION

Benefit Option	Net healthcare deficit	Net surplus for the year
Option B	(1 427 202)	35 425 374

Corrective action

The Scheme continues to monitor both benefits with a view to improve their financial outcome and has applied different strategies to address the deficits in the benefit options.

Contribution increase of 6,5% on average has been applied and marginal enhancements were made on the benefits for the 2021 benefit year to address this deficit.

14.3 Contravention of Section 35 (8) of the Medical Scheme Act

Nature and impact of non-compliance

Section 35 (8) of the Act states that: "A medical scheme shall not invest any of its assets in the business of or grant loans to:

- (a) an employer who participates in the medical scheme or an administrator or any arrangement with the medical scheme;
- (b) any other medical scheme
- (c) any administrator; and
- (d) any person associated with any of the above mentioned".

At 31 December 2020 the Scheme indirectly holds investments in the holding company of the Administrator or any other Administrator. This is in contravention of section 35(8)(c) of the Act.

Cause of non-compliance

The Funds in this specific portfolio are structured at the sole discretion of the asset manager in a manner that maximises returns. Therefore, the Scheme does not make inputs into the structuring of the portfolio.

Corrective action

The Scheme has applied to the Council for Medical Schemes in terms of Section 35(8) and is therefore allowed to hold these shares. The exemption is valid for a period of three years, effective 1 December 2019 until 30 November 2022, subject to renewal.

14.4 Contravention of Section 57(4) of the Medical Schemes Act

Nature and impact of non-compliance

Section 57(4)(f) requires the Board of Trustees to take out and maintain professional indemnity insurance and fidelity guarantee insurance.

Cause of non-compliance

The Scheme could not have professional indemnity insurance cover for the year under review due to the Curatorship and was in contravention with section 57(4) of the Medical Schemes Act.

The Scheme elected Board of Trustees applied for the professional indemnity insurance and fidelity guarantee insurance to ensure compliance to Section 57(4) of the Medical Scheme's Act as amended. The Scheme approached various insurers that offer the Trustees professional indemnity insurance, however all insurers that were approached declined to offer this insurance cover to the Scheme's Board of Trustees due to their risk appetite.

Corrective action

The Scheme has applied to the Council of Medical Schemes to be exempted to Section 57(4) of the Medical Scheme's Act as amended until such time that the insurance cover is sourced successfully. The application for an exemption has not been granted by the Council of Medical Schemes. The Scheme continues to approach insurers and seek the cover to ensure compliance with Section 57(4) of the Medical Schemes Act.

14.5 Contravention of Section 36(10) of the Medical Schemes Act

Nature and impact of non-compliance

Section 36(10) required that an audit committee of at least five (5) members of which at least two (2) shall be members of the Board of Trustees

Cause of non-compliance

The Scheme was placed under Curatorship on 25 October 2018 for 12 months effective from this date. The Curator assumed all duties and responsibilities of the Board of Trustees and the Audit and Finance committee. The Curatorship on SAMWUMED exceeded the initial 12 months due to the delays experienced with the election process of the new Board of Trustees. Further delays were also experienced in the processing and delivery of the court papers uplifting the Curatorship as a result of the COVID-19 lockdown. The elected Board of Trustees could only commence with their duties and appoint the Audit and Risk committee once the Curatorship was lifted. The Scheme was in Contravention of Section 36(10) of the Medical Schemes Act of 1998, as amended for the year under review up to the date the appointments were concluded in November 2020.

Corrective action

The Curatorship was lifted on 7 May 2020 and the elected Board of Trustees officially assumed their responsibilities after this date. The Scheme appointed the Audit and Risk committee members, this was concluded in November 2020 to ensure compliance to Section 36(10) of the Medical Schemes Act.

15. EVENTS AFTER FINANCIAL YEAR END DATE

On the 22 December 2020 one of the member elected Board of Trustee Ms. N. Adams (Simons) terminated from the Scheme. The outgoing trustee member was replaced by Ms. R. Letsoalo on the 15 February 2021, a member elected trustee who was second in line from the number of votes received in the election results of the Scheme Annual General Meeting held on 27 September 2019. On the 12 April 2021 a trade union appointed Board of Trustee member Mr E.B. Mdhluli was terminated (deceased) from the Scheme and has not been replaced yet.

16. GOING CONCERN

We draw attention to the fact that at 31 December 2020, the Scheme had accumulated income of **R1 476 956 978** and that the Scheme's total assets exceed its liabilities by **R1 503 243 219**

The financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Scheme to continue as a going concern is dependent on a number of factors. The most significant of these is the Scheme's ability to grow its membership base, collect contributions and yield investment returns in order to pay claims and other obligations as they fall due.

Despite the COVID-19 hitting South Africa and Scheme beneficiaries in 2020, Scheme growth rates remained constant, the Scheme experienced an increase in number of terminations due to COVID-19 related implications and the members buying down were less than expected. No contributions holidays were implemented, and the Scheme continued to collect contributions with 98% collection rate for the year. For the year under review, a total of **2 710** beneficiaries were affected by COVID-19, of which **786** recovered and a total of **173** beneficiaries died. In total the Scheme paid **R 82 081 192** in respect of COVID-19 related claims.

Subsequent to year end, a COVID-19 announcement about a vaccine rollout was made, whereby the Medical Schemes are required to cover member vaccinations as part of prescribed minimum benefits. With the second wave of COVID-19 that had hit South Africa in December 2020 to January of 2021 and the expected third wave anticipated in June & July of 2021 the scheme claims are expected to increase significantly. The impact of this vaccine rollout and anticipated third wave hitting South Africa will result in an increase in the claims costs for 2021. This anticipated increase has been considered and included in the 2021 Scheme claims revised budget.



STATEMENT OF RESPONSIBILITY BY BOARD OF TRUSTEES

The Board of Trustees of the Scheme is responsible for the preparation, integrity and fair presentation of the summarised financial statements of SAMWUMED. The summarised financial statements presented on pages 53 to 99 have been prepared in accordance with International Financial Reporting Standards (IFRS), in the manner required by the Medical Schemes Act and Regulations thereto and include amounts based on estimates and judgments made by management.

The Board of Trustees considers that in preparing the summarised financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Board of Trustees is satisfied that the information contained in the summarised financial statements fairly presents the results of operations for the year and the financial position of the Scheme at year-end. The Board of Trustees also prepared the other information included in the annual report and is responsible for both its accuracy and its consistency with the financial statements.

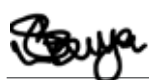
The Board of Trustees has the responsibility for ensuring that accounting records are kept. The accounting records disclose with reasonable accuracy the financial position of the Scheme which enables the Board of Trustees to ensure that the summarised financial statements comply with the relevant legislation.

The Scheme operates in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the Scheme are being well controlled.

The going concern basis has been adopted in preparing the summarised financial statements. Based on forecasts and available cash resources the Board of Trustees has no reason to believe that the Scheme will not be a going concern in the foreseeable future. These summarised financial statements support the viability and sustainability of the Scheme.

The Scheme's external auditor is responsible for independently auditing and reporting on the Scheme's summarised financial statements in terms of International Standards on Auditing and their report is presented on pages 51 to 52.

The summarised financial statements set out on page 53 to 99, were adopted and signed by the Board of Trustees on 3 August 2021.



L Sibiya
Chairperson



M. F. Mosoeu
Principal Officer



M Nzuza
Trustee

Cape Town

Tuesday, 3 August 2021

STATEMENT OF CORPORATE GOVERNANCE BY THE BOARD OF TRUSTEES

SAMWUMED is committed to the principles and practice of fairness, transparency, integrity and accountability in all dealings with its stakeholders.

1. BOARD OF TRUSTEES

The Board of Trustees has full control of the management of operations and financial affairs of the Scheme to meet regularly and monitor the administration of the Scheme. The Board of Trustees met with management to address a range of key issues and ensure that policies, strategy and performance is critical, informed and constructive. The Board of Trustees also consult with the Council of Medical Schemes from time to time.

The Board of 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 meets regularly and monitors the performance of the Scheme and other service providers.

2. RISK MANAGEMENT AND INTERNAL CONTROL

The administration of the Scheme is maintained under 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 duties and are implemented by trained personnel with the appropriate segregation of duties.

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.



L Sibiyi
Chairperson

Cape Town

Tuesday, 3 August 2021



Independent Auditor's Report on Summary Financial Statements

To the Members of the SAMWUMED

Opinion

The summarised financial statements, as set out on pages 53 to 99, which comprise the summarised statement of financial position as at 31 December 2020, the summarised statement of surplus or deficit and other comprehensive income, the summarised statement of changes in funds and reserves, the summarised statement of cash flows for the year then ended and related notes, are derived from the audited financial statements of SAMWUMED (the Scheme) for the year ended 31 December 2020.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Summarised Financial Statements

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the summarised financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summarised financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 04 May 2021. That report also includes the communication of key audit matters.

Trustees' Responsibility for the Summarised Financial Statements

The trustees are responsible for the preparation of the summary financial statements in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

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Chief Executive Officer: L S Machaba

The Firm's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of the partners' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682



Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarised financial statements are consistent, in all material respects, with the audited financial statements, based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Report on other legal and regulatory requirements

As required by the Council for Medical Schemes' Circular 38 of 2018, Audit Tenure, we report that PricewaterhouseCoopers Inc. has been the auditor of SAMWUMED Medical Scheme for two years.

The engagement partner, Nicolette Jacobs, has been responsible for SAMWUMED's audit for two years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: NA Jacobs

Registered Auditor

Cape Town, South Africa

03 August 2021

SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	NOTES	2020 R	2019 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	41 687 295	51 997 164
Intangible assets	3	229 168	378 838
Investments at fair value through profit or loss - designated	4	741 070 838	585 043 046
		782 987 301	637 419 048
Current Assets			
Cash and cash equivalents	5	211 203 926	161 283 059
Investments at fair value through profit or loss - designated	4	615 555 720	682 189 401
Trade and other receivables	6	37 778 892	98 730 098
		864 538 538	942 202 558
Assets classified as held for sale	4	11 000 000	14 061 846
		1 658 525 839	1 593 683 452
Equity and Liabilities			
Equity			
Reserves	8	26 286 241	35 227 039
Retained income		1 476 956 978	1 408 909 750
		1 503 243 219	1 444 136 789
Liabilities			
Non-Current Liabilities			
Lease liabilities	9	2 672 607	756 483
Retirement benefit obligation	10	2 795 771	2 835 001
		5 468 378	3 591 484
Current Liabilities			
Provision for outstanding claims	11	115 562 227	95 649 006
Trade and other payables	12	32 789 991	49 934 791
Lease liabilities	9	1 462 024	371 382
		149 814 242	145 955 179
		155 282 620	149 546 663
		1 658 525 839	1 593 683 452

SUMMARISED STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

	NOTES	2020 R	Restated 2019 R
Risk contribution income	13	1 483 380 706	1 331 418 449
Relevant healthcare expenditure	14	(1 375 700 529)	(1 269 978 837)
Net claims incurred		(1 375 700 529)	(1 269 978 837)
Claims incurred	14	(1 375 700 529)	(1 269 978 837)
Gross healthcare result		107 680 177	61 439 612
Administration expenses: benefit management services		(1 487 600)	(2 118 188)
Broker service fees	15	(3 296 590)	(2 979 991)
Administration expenditure	16	(94 694 725)	(92 818 236)
Net impairment losses on healthcare receivables		730 978	1 429 473
Net healthcare result		8 932 240	(35 047 330)
Other income		65 802 659	107 119 028
Investment income		64 707 456	106 361 090
Sundry income		1 095 203	757 938
Other expenditure		(6 687 671)	(3 104 156)
Other realised and unrealised losses on property, plant and equipment		(3 077 857)	(470 476)
Investment management fees		(3 497 038)	(2 489 409)
Interest paid		(112 776)	(144 271)
Net surplus for the year		68 047 228	68 967 542
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability/asset		453 000	3 511 000
(Losses) / Gains on property revaluation		(9 393 800)	5 386 629
Total items that will not be reclassified to profit or loss		(8 940 800)	8 897 629
Other comprehensive income for the year net of taxation		(8 940 800)	8 897 629
Total comprehensive income for the year		59 106 428	77 865 171

SUMMARISED STATEMENT OF CHANGES IN FUNDS AND RESERVES

	Reserve for revaluation of property R	Reserve for valuation of liabilities R	Total reserves R	Retained income R	Total members' funds R
Balance at 31 December 2018	18 312 410	8 017 000	26 329 410	1 339 942 208	1 366 271 618
Net surplus for the period	-	-	-	68 867 542	68 867 542
Other comprehensive income	5 386 629	3 511 000	8 897 629	-	R8 897 629
Total comprehensive income for the year	5 386 629	3 511 000	8 897 629	68 967 542	77 865 171
Balance at 31 December 2019	23 699 039	11 528 000	35 227 039	1 408 909 750	1 444 136 789
Net surplus for the period	-	-	-	68 047 228	68 047 228
Other comprehensive income	(9 393 798)	453 000	(8 940 798)	-	(8 940 798)
Total comprehensive income for the year	(9 393 798)	453 000	(8 940 798)	68 047 228	59 106 430
Balance at 31 December 2020	14 305 241	11 981 000	26 286 241	1 476 956 978	1 503 243 219

SUMMARISED STATEMENT OF CASH FLOWS

	Notes	2020 R	Restated 2019 R
Cash flows from operating activities			
Cash generated from operations		85 409 481	20 901 998
Interest received		5 624 747	10 014 772
Net cash from operating activities		91 034 228	30 916 770
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(536 951)	(3 816 754)
Sale of property, plant and equipment	2	87 284	194 062
Purchase of other intangible assets	3	(43 125)	(101 981)
Purchase of financial assets		(299 173 189)	(1 158 000 000)
Sale of financial assets		259 173 189	1 077 733 304
Net cash from investing activities		(40 492 792)	(83 991 369)
Cash flows from financing activities			
Lease payments		(507 796)	(204 899)
Interest paid		(112 776)	(144 271)
Net cash from financing activities		(620 572)	(349 170)
Total cash movement for the year		49 920 864	(53 423 769)
Cash and cash equivalents at the beginning of the year		161 283 059	214 706 828
Cash and cash equivalents at end of the year	5	211 203 923	161 283 059

SUMMARISED ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The principal accounting policies applied in the presentation of these summarised financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The summarised financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Medical Schemes Act 131 of 1998 (the Act). The summarised financial statements are prepared on the going concern principle using the historical cost basis except where stated otherwise for investments at fair value through profit or loss and property, plant and equipment that is stated at revalued amounts.

The preparation of summarised financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the accounting policies. The notes to the summarised financial statements set out those areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the Scheme's financial statements.

These summarised financial statements are presented in Rands, which is the Scheme's functional currency.

1.1 Critical accounting judgments, estimates and assumptions

In the process of applying the Scheme's accounting policies, the management has made a number of judgments that had the most significant effect on the amounts recognised in the summarised financial statements.

Certain critical accounting judgments in applying the Scheme's accounting policies and key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date, are discussed below:

Impairment provision on debtors

The detailed disclosure of the annual impairment review of the Scheme is disclosed under Note 6. The carrying amounts of the Scheme's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Property, plant and equipment

Judgment and estimates are used in determining the useful life, revaluation and residual values of property, plant and equipment as set out in Note 1.2 and Note 2.

The carrying amounts of the Scheme's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The ultimate liability arising from claims made under insurance contracts

There are some sources of uncertainty that need to be considered in the estimate of the liability that the Scheme will ultimately pay for such claims. Initial estimates are made by the Scheme relating to the best calculations on reported claims as the claims process develops. All estimates are revised and adjusted at year-end by management. Refer to Note 11 for assumptions made.

Provision for outstanding claims

The detailed disclosure of the provision for outstanding claims assumptions is made under Note 11.

Post-retirement medical aid benefit

The Scheme provides post-retirement healthcare benefits to retired employees. An independent qualified actuary carries out valuations of the obligations on every three years. Refer to Note 10 for detailed disclosure.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the scheme holds for its own use which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Scheme, and the cost of the item can be measured reliably.

Property consists of land and buildings held for administrative purposes and is stated in the Statement of Financial Position at its revalued amount, being the fair value at the date of valuation less any subsequent accumulated depreciation and accumulated impairment. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at year end.

Property plant and equipment are reflected at cost less accumulated depreciation and accumulated impairments. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost of the item can be measured reliably. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets after considering the assets' residual values.

The estimated maximum useful lives are:

Item	Useful life minimum	Useful life maximum	Residual value
Land	not depreciated	not depreciated	0%
Buildings	50 years	50 years	0%
Computer equipment	3 years	5 years	0%
Furniture and fittings	5 years	10 years	0%
Motor vehicles	3 years	5 years	20%
Office equipment	5 years	5 years	10%
Canteen equipment	6 years	6 years	10%

The useful lives and residual values are assessed annually and adjusted appropriately. Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised in the statement of comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss arising from the disposal is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Surpluses and deficits on the disposal of property and equipment are recognised in the statement of comprehensive income.

Carrying amounts of all items of property and equipment are reduced to their recoverable amount, where this is lower than the carrying amount. Where components of an item of property and equipment have different useful lives, they are accounted for as separate items.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is measurable and it is probable that future economic benefits associated with property plant and equipment will flow to the Scheme. Expenditure incurred to replace a component of an item of equipment is capitalised to the cost of the item of equipment and the part that is derecognised.

Revaluation

The carrying amount of land and buildings is revalued every three years by a qualified appraiser and appropriate adjustments are reflected accordingly in the revaluation reserve and Statement of Profit or Loss and Other Comprehensive Income, as other comprehensive income.

Any revaluation increase is recognised in Other Comprehensive Income, and accumulated in Members' Funds, except to the extent that it reverses a revaluation decrease previously recognised in profit and loss. A decrease in the carrying amount arising from revaluation is recognised in profit and loss, to the extent that it exceeds the balance held in the revaluation reserve relating to previous revaluations.

1.3 Intangible assets

Costs associated with researching or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Scheme are recognised as intangible assets when the following criteria are met as per IAS 38:

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

Directly attributable costs that are capitalised as part of the software include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

Intangible assets that have an indefinite useful life or that are not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Intangible assets are reflected at cost less accumulated amortisation and accumulated impairments. Amortisation begins once the assets are ready for use or to sell on the straight-line basis over the estimated useful lives of the assets after considering the assets' residual values.

Amortisation is provided to write down the intangible assets, on a straight-line basis, as follows:

Item	Useful life
Warranties and computer software	3 years

Impairment losses

The carrying amounts of the Scheme's assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.4 Financial instruments - IAS 39

Financial assets under IAS 39 (the Scheme elected to defer IFRS 9 adoption)

The Scheme initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets are initially recognised on the trade date when the entity becomes a party to the contractual provisions. The scheme derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains control over the transferred asset. Any interest in such derecognised financial asset that is created or retained by the scheme is recognised as a separate asset or liability.

Initial measurement

Financial assets are initially measured at fair value plus any directly attributable transaction costs except for financial asset through profit and loss where the directly attributable transaction costs are recognised in profit or loss as incurred.

Classification and subsequent measurement

The Scheme classifies its financial assets in the following categories:

At fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss - designated

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Financial assets at fair value are measured at fair value and changes therein, including any interest and dividend income are recognised in profit or loss.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category is presented in the statement of comprehensive income within 'investment income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of investment income when the scheme's right to receive payments is established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. The interest earned on these investments is disclosed as accrued interest at year end until the funds are reinvested with the capital portion.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments are recognised in Other Comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised as part of investment income. Dividends on available-for-sale equity instruments are recognised as part of investment income when the Scheme's right to receive payments is established (IAS 39).

d) Held to maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Impairment of financial assets**(a) Assets carried at amortised cost**

The Scheme assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. Where the carrying amount of the asset is reduced through the use of an allowance account, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited as other income or against operating expenses in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(b) Assets classified as available-for-sale

The Scheme assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss the impairment loss is reversed through profit or loss.

For members' funds' investments, a significant or prolonged decline in the fair value of the equity securities below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss.

1.5 Financial instruments: IFRS 9 Deferral

The effective date of IFRS 9 Financial Instruments is for annual periods beginning on or after 1 January 2018. IFRS 9 will change the classification of financial assets to either amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI).

In addition, IFRS 9 replaces the “incurred loss” model in IAS 39 Financial Instruments:

Recognition and Measurement (IAS 39) with an “expected credit loss model”, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The effective date of IFRS 17 Insurance Contracts is for annual periods beginning on or after 1 January 2022 (due course). The differing effective dates of IFRS 9 and IFRS 17 could have a significant impact on insurers (including medical schemes). Entities whose predominant activity (refer paragraph 73 of this SAICA Medical Schemes Accounting Guide), is the issuing insurance contracts within the scope of IFRS 4 Insurance Contracts (IFRS 4) are afforded the option to defer the implementation of IFRS 9 (Deferral Approach) i.e. granted temporary exemption from recognising financial instruments in accordance with IFRS 9 (thus permitted to continue to apply IAS 39) until the recognition of insurance contracts has been finally settled, although this option may not be used after 1 January 2022.

The Scheme is a not-for-profit closed medical scheme; thus, the activities of the medical scheme are predominantly connected with insurance. In this regard, management has assessed the following:

- The medical scheme has not previously applied any version of IFRS 9: and
- The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 and subsequent years represents 97% of total liabilities, which is considered significant.

There has been no change in the medical scheme's activities that warrants a reassessment of the above information.

Thus, the Scheme has met the criteria to defer the implementation of IFRS 9 and, after due consideration, decided to defer the implementation of IFRS 9 until the adoption of IFRS 17.

The amendment of IFRS 4 Insurance Contracts requires entities to disclose the fair value at the end of the reporting period and the end change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest ('SPPI') and other financial assets separately.

The Scheme has assessed that the following financial assets have contractual cash flows that meet the SPPI criteria:

- Listed bonds (government and corporate bonds) and unlisted debt securities
- Cash and cash equivalents (current and call accounts) and
- Non-insurance receivables

The remaining financial assets held by the Scheme have contractual cash flows that do not represent solely payments of principal and interest. This group includes unit linked investments and equities.

The Scheme does not currently apply the option under IAS 39 to designated financial assets at fair value.

In terms of each investment portfolio, the Scheme will need to assess if the investment will be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

I. Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

II.A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or (a) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (b) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

With regards to the impairment of the financial assets:

I. Impairment of debt instruments held at amortised cost and fair value through other comprehensive income. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

1.6 Interest in other entities (IFRS 12)

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all the following features or attributes:

- (a) Restricted activities;
- (b) A narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- (c) Insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- (d) Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has determined that some of its investments in pooled funds and collective investment schemes ("funds") are investments in unconsolidated structured entities. The scheme invests in these funds, whose objectives range from achieving medium- to long-term capital growth and whose investment strategy do not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. The change in fair value of each fund is included in the statement of comprehensive income in net gains/ (losses) on financial instruments held at fair value through profit or loss.

1.7 Fair value measurement

Fair value is a market-based measurement not an entity specific measurement, for some assets and liabilities observable market transactions or information might be available. The objective of a fair value measurement is to estimate one price at which an orderly transaction to sell the assets or to transfer the liability would take place between market participants at the measurement date.

1.8 Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

1.9 Leases IFRS 16

The scheme had to change its accounting policy as a result of IFRS 16. The Scheme has elected the simplified approach in its adoption. This is disclosed in Note 9.

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration.

Right of use by lessees

At the commencement date of the lease the Scheme recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. After lease commencement, the Scheme shall measure the right-of-use asset using a cost model.

Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability.

The lease liability takes into consideration, where appropriate, fixed and variable lease payments residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease. The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.

Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss. The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset. The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, which is generally the case for leases in a group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with the similar terms, security and conditions.

1.10 Unallocated funds

Unallocated funds arise on receipt of unidentified deposits and unallocated receipts to members' accounts at year end into the Scheme's bank accounts. Unallocated funds older than three years of which the prescription period has legally lapsed are written back to the Statement of Profit or Loss and Other Comprehensive Income.

1.11 Provisions and liabilities

Liabilities and provisions are recognised when the Scheme has a present legal or contractual obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Outstanding claims provision

Claims outstanding comprise provisions for the Scheme's estimate of the ultimate cost of settling all claims incurred but not yet reported at the reporting date.

Outstanding risk claims are determined as accurately as possible based on a number of factors, which include previous experience in claim patterns, claims settlement patterns, changes in the nature and number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

Estimated co-payments are deducted in calculating the outstanding claims provision. The Scheme does not discount its provision for outstanding claims on the basis that claims must be submitted within four (4) months of the medical event, and the effect of the time value of money is not considered material.

A standard operating procedure governing the calculation of the provision as agreed with the Scheme is followed by the Scheme's Actuaries to ensure consistency in application and interpretation of results.

Contingent liability is:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- A present obligation that arises from past events but is not recognised because:
 - » It is not probable that an outflow of resources embodying economic benefits will be required to settle
 - » The amount of the obligation cannot be measured with sufficient reliability

The Scheme does not recognise a contingent liability. A contingent liability is disclosed in the summarised financial statement, unless the possibility of an outflow of resources embodying economic benefits is remote.

A Contingent asset is:

- A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Scheme does not recognise a contingent asset. However, when the realisation of income is virtually certain, the related asset is recognised as it is not a contingent asset.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 19.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Post-retirement benefit plans

The Scheme provides for post-retirement medical aid benefits to its retired employees. The entitlement to post-retirement medical aid benefits is based on the employees remaining in service up to retirement age and having a minimum of five years continued service. This benefit has been limited to full time staff appointed prior to 01 January 2014.

The present value of the obligation is determined using the projected unit credit method and any deficit or surplus is immediately recognised in the Statement of Profit or Loss and Other Comprehensive Income.

It is the Scheme's policy to perform this valuation once every three years. A valuation will also be performed prior to the prescribed three years when any significant events that are deemed to have a material impact on post-retirement medical aid benefit have occurred.

The post-employment subsidy policy valued is summarised below:

- Members who retire prior to the retirement age of sixty (60) will not be eligible for a subsidy of medical scheme contributions.
- Members with at least five (5) year's service prior to retirement qualify for a 70% subsidy of contributions.
- Dependants of eligible continuation members receive a subsidy before and after the death of the principal member.

If a member eligible for a retirement subsidy dies in service, their dependants are eligible for a subsidy of medical scheme contributions as described above.

The risks faced by the Scheme as a result of the post-employment healthcare obligation can be summarised as follows:

- **Inflation:** The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled.
- **Longevity:** The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected.
- **Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain.
- **Future changes in legislation:** The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for the Scheme.
- **Future changes in the tax environment:** The risk that changes in the tax legislation governing employee benefits may increase the liability for the Scheme.
- **Perceived inequality by non-eligible employees:** The risk of dissatisfaction of employees who are not eligible for a post-employment healthcare subsidy.
- **Administration:** Administration of this liability poses a burden to the Scheme.
- **Enforcement of eligibility criteria and rules:** The risk that eligibility criteria and rules are not strictly or consistently enforced.
- **National Health Insurance Bill:** The National Health Insurance Bill is out for comment. The contents of the Bill are not detailed enough at this stage for any adjustments to be made to the liability. However, this will be monitored.

1.13 Risk Contribution income

Contributions on member insurance contracts are accounted for monthly when their collection in terms of the insurance contract is reasonably certain. Risk contributions represent the gross contributions per the Registered Rules of the Scheme. The Scheme does not have a savings plan. The earned portion of risk contributions received is recognised as revenue. Risk contributions are earned from the date of attachment of risk, over the indemnity period on a straight-line basis. Risk contributions are shown before the deduction of broker service fees and other acquisition costs.

1.14 Relevant healthcare expenditure

Relevant healthcare expenditure consists of net claims incurred and accredited healthcare services.

Relevant healthcare expenditure incurred comprise the total estimated cost of all claims arising from the healthcare events that have occurred in the year and for which the Scheme is responsible, whether or not reported by the end of the year.

Relevant healthcare expenditure incurred comprise:

- Claims submitted and accrued for services rendered during the year, in terms of the Rules of the Scheme;
- Payments under provider contracts for services rendered to members;
- Over or under provisions relating to prior year claims accruals;
- Claims incurred but not yet reported; and

Net of:

- Recoveries from members for co-payments;
- Recoveries from third parties; and
- Discount received from service providers
- Claims paid to accredited managed healthcare services

1.15 Investment income

Investment income comprises of interest income and dividend income. Interest income is recognised on a time proportion basis, considering the principal amount invested and the effective rate over the period to maturity, when it is certain that such income will accrue to the Scheme. Dividend income is recognised when the right to receive payment is established.

Gains and losses on financial assets held at fair value include realised and unrealised gains and losses on disposal of assets and revaluation to fair values. These gains and losses are recognised through the Statement of Profit or Loss and Other Comprehensive Income.

1.16 Broker fees

Broker fees are recognised when they become due and payable as prescribed by the medical Schemes Act 131 of 1998.

1.17 Road Accident Fund (RAF) recoveries

The recoveries are only accounted for when an amount is virtually certain to be received from the RAF and the quantum of the amount is determinable.

1.18 Allocation of income and expenditure to benefit options

The following income and expenditure items are directly allocated to benefit options:

- Net contributions;
- Claims incurred;
- Managed care fees; and
- Broker fees.

The remaining items are appointed based on the number of members on each option or other suitable basis.

- Administration expenditure;
- Investment income;
- Other income;

1.19 Insurance contracts

Contracts under which the Scheme accepts significant insurance risk from another party (the member) by agreeing to compensate the member or other beneficiary if a specified uncertain future event (the insured event) adversely affects the member or other beneficiary, are classified as insurance contracts. The contracts issued compensate the Scheme's members for healthcare expenses incurred.

Liabilities and related assets under liability adequacy test

The liability for insurance contracts are tested for adequacy by discontinuing current estimates of all future contractual cash flows, including related cash flows such as claims handling costs, and comparing this amount to the carrying value of the insurance liabilities (given the nature of the contracts and the Scheme rules in terms of which claims submitted after 4 months from treatment date are considered stale, the effect of discounting is not considered material).

1.20 Income tax

In terms of Section 10(1)(d) of the Income Tax Act, No 58 of 1962, as amended, receipts and accruals of a benefit fund are exempt from normal tax. A medical scheme is included in the definition of a benefit fund and consequently the Scheme is exempt from income tax.

1.21 Prior period errors

The general principle in IAS 8 is that an entity must correct all material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by: [IAS 8.42]

Disclosures relating to prior period errors include: [IAS 8.49]

- the nature of the prior period error for each prior period presented, to the extent practicable, the amount of the correction:
- for each financial statement line item affected, and for basic and diluted earnings per share (only if the entity is applying IAS 33)
- the amount of the correction at the beginning of the earliest prior period presented
- if retrospective restatement is impracticable, an explanation and description of how the error has been corrected.

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 044 600	-	4 044 600	5 503 282	-	5 503 282
Buildings	36 106 604	(8 051 205)	28 055 399	44 041 720	(7 170 371)	36 871 349
Canteen equipment	341 401	(275 574)	65 827	341 401	(223 791)	117 610
Furniture and fittings	4 045 391	(2 037 937)	2 007 454	4 022 349	(1 394 181)	2 628 168
Motor vehicles	6 599 713	(2 216 571)	4 383 142	3 228 456	(1 660 734)	1 567 722
Office equipment	5 020 145	(3 452 159)	1 567 986	4 892 934	(1 606 883)	3 286 051
Computer equipment	4 327 171	(2 764 284)	1 562 887	3 959 062	(1 936 080)	2 022 982
Total	60 485 025	(18 797 730)	41 687 295	65 989 204	(13 992 040)	51 997 164

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	5 503 282	-	-	(1 458 682)	-	4 044 600
Buildings	36 871 349	-	-	(7 935 116)	(880 834)	28 055 399
Canteen equipment	117 610	-	-	-	(51 783)	65 827
Furniture and fittings	2 628 168	23 042	-	-	(643 756)	2 007 454
Motor vehicles	1 567 722	3 371 257	-	-	(555 837)	4 383 142
Office equipment	3 286 051	132 510	(5 299)	-	(1 845 276)	1 567 986
Computer equipment	2 022 982	381 399	(3 346)	-	(838 148)	1 562 887
Total	51 997 164	3 908 208	(8 645)	(9 393 798)	(4 815 634)	41 687 295

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Classified as held for sale	Revaluations	Other changes, movements	Depreciation	Total
Land	12 728 040	-	-	(7 907 538)	682 780	-	-	5 503 282
Buildings	38 731 004	624 434	-	(6 154 309)	4 703 849	(76 389)	(957 240)	36 871 349
Canteen equipment	160 980	7 426	-	-	-	(167)	(50 629)	117 610
Furniture and fittings	2 678 705	465 702	(183 257)	-	-	48 380	(381 362)	2 628 168
Motor vehicles	2 603 966	-	(346 920)	-	-	(741)	(688 583)	1 567 722
Office equipment	2 692 705	1 757 000	(76 731)	-	-	(148 874)	(938 049)	3 286 051
Computer equipment	1 785 437	962 192	(57 630)	-	-	47 947	(714 964)	2 022 982
Total	61 380 837	3 816 754	(664 538)	(14 061 847)	5 386 629	(129 844)	(3 730 827)	51 997 164

Other adjustments for 2019 referred to above were for the corrections to the scheme's asset register and the general ledger after the clean-up of assets through scrapping and auctioning of old assets.

The total depreciation for 2020 includes accelerated depreciation from prior years as a result of changes in the estimated useful life that was not affected correctly on Canteen Equipment, Furniture and fittings, Office Equipment and Computer Equipment.

Leased assets

IFRS 16(47):

A lessee shall either present in the statement of financial position, or disclose in other notes:

- (a) Right-of-use assets separately from other assets. If a lessee does not present the right-of-use assets separately in the statement of financial position, the lessee shall:
 - (i) Include right of use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned
 - (ii) Disclose which line items in the statement of financial position include those right-of-use assets
- (b) Lease liabilities separately from other liabilities, if the lessee does not present lease liabilities separately in the statement of financial position, the lessee shall disclose which line items in the statement of financial position include those liabilities.

During the 2020 financial year the Scheme entered a new three-year lease agreement for motor vehicles. This resulted in additions to the Right-of-use asset of R 3 371 257 (2019: R1 275 380 for office equipment).

Right of use of assets

	2020 R	2019 R
Office equipment	637 690	1 062 817
Motor vehicles	3 277 611	-
Total	3 915 301	1 062 817

Lease liabilities

	2020 R	2019 R
Current	1 462 024	371 382
Non-current	2 672 607	756 483
Total	4 134 631	1 127 865

The Statement of profit or loss shows the following amounts relating to leases:

	2020 R	2019 R
Depreciation charge of right-of-use assets - office equipment	425 127	212 563
Depreciation charge of right-of-use assets - motor vehicles	93 646	-
Total	518 773	212 563

Interest expense included in finance costs	98 132	137 779
Total cash outflow for leases	364 491	204 899

Land and buildings comprise the following

Registers with details of land and buildings are available for inspection by members or their duly authorised representatives at the registered office of the Scheme.

Land and buildings comprise the following:

- Erf 43717, Athlone (Crawford), Cape Town, measuring 1128 square meters
- Erf 82128, Retreat, Cape Town, measuring 2019 square meters
- Erf 82129, Retreat, Cape Town, measuring 2037 square meters
- Erf 15611, Mitchells Plain, Cape Town, measuring 4441 square meters
- Erf 33081, Athlone, Cape Town, measuring 495 square meters

The Scheme's property is stated at the revalued amounts as per valuation performed by a qualified appraiser, The Valuator Group. Refer to Note 8.

3. INTANGIBLE ASSETS

	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Warranties	438 648	(320 373)	118 275	438 648	(247 024)	191 624
Computer software	650 496	(539 603)	110 893	607 371	(420 157))	187 214
Total	1 089 144	(859 976)	229 168	1 046 019	(667 181)	378 838

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Warranties	191 624	-	(73 349)	118 275
Computer software	187 214	43 125	(119 446)	110 893
Total	378 838	43 125	(192 795)	229 168

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Warranties	251 107	35 339	(94 822)	191 624
Computer software	250 737	66 642	(130 165)	187 214
Total	501 844	101 981	(224 987)	378 838

Other information

The intangible assets represent the payment of warranties on electronic equipment and software. These warranties are paid for when acquiring the electronic equipment and software. The warranties are amortised on a straight-line basis over the warranty period and computer software is amortised over the useful life of the software.

4. INVESTMENTS

	2020 R	2019 R
At fair value through profit or loss - designated Investments	1 356 626 558	1 267 232 447
Non-current assets		
Designated as at fair value through profit or loss (fair value through income)	741 070 838	585 043 046
Current assets		
Designated as at fair value through profit or loss	615 555 720	682 189 401

Measurement of financial assets

The Scheme has opted to defer the adoption of IFRS 9 until 01 January 2022. The Scheme is a not-for-profit closed medical Scheme thus the activities of the medical scheme are predominantly connected with insurance. In this regard, management has assessed the following:

- The Scheme has not previously applied any version of IFRS 9; and
- The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 and subsequent years represents 97% of total liabilities, which is considered significant.

There has been no change in the Scheme's activities that warrants a reassessment of the above information. Thus, the Scheme has met the criteria to defer the implementation of IFRS 9 and, after due consideration, decided to defer the implementation of IFRS 9 until the adoption of IFRS 17.

Impact of adoption of IFRS 9 on the Scheme

In terms of each investment portfolio, the Scheme will need to assess if the investment will be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

	2020 R	2019 R
Fair value information		
Listed equity	230 773 460	158 203 339
Listed bonds	777 518 265	588 041 501
Money market instruments	141 999 985	326 611 373
Cash	142 666 550	127 013 353
Property	63 668 298	67 362 881
Total	1 356 626 558	1 267 232 447

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Investments in Asset Management

	2020 R	2019 R
Argon Asset Managers	262 762 221	208 606 808
Mazi Asset Management	77 075 105	29 167 120
Aluwani Capital Partners	78 491 041	29 967 140
Prudential Portfolio Managers	165 428 027	161 671 887
Ninety-One Fund Managers	204 305 777	254 001 846
STANLIB Unit Trust	411 249 943	428 187 555
Allan Gray Life Limited	157 314 444	155 630 090
Total	1 356 626 558	1 267 232 446

The Scheme has invested some of its funds in various Asset Managers and with banks with credit ratings as per Note 22. The investments earned interest income for the year at an average interest rate of 4,28% (2019: 6.36%).

As at 31 December 2020, the total investments included accrued interest of R9 626 680 million, this is disclosed under Trade and other receivables in the current year, refer to Note 6.

5. CASH AND CASH EQUIVALENTS

	2020 R	2019 R
Cash and cash equivalents consist of:		
Cash on hand	3 625	1 877
Call accounts	202 404 543	155 324 724
Current accounts	8 795 758	5 956 458
Total	211 203 926	161 283 059

Balances on current and call accounts constitute amounts available on demand. These balances earned interest income at an average interest rate of 2.66% (2019: 6.21%) for the year. The carrying amount of cash and cash equivalents approximate their fair values due to the short-term nature of these assets.

6. TRADE AND OTHER RECEIVABLES

	2020 R	2019 R
Trade receivables	26 368 605	98 908 081
Other prepayments and sundry co-payments	546 665	777 181
Premiums control accounts	1 550 246	1 365 036
Forensic debt receivable	4 693 723	1 352 153
Accrued investment income	6 307 767	-
Provision for impairment losses	(1 688 114)	(3 672 353)
Total trade and other receivables	37 778 892	98 730 098
Split between non-current and current portions		
Current assets	37 778 892	98 730 098

The Scheme has opted to defer the adoption of IFRS 9 until 01 January 2022. The Scheme is a not-for-profit closed medical Scheme thus the activities of the medical scheme are predominantly connected with insurance. In this regard, management has assessed the following:

- The Scheme has not previously applied any version of IFRS 9; and
- The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 and subsequent years represents 97% of total liabilities, which is considered significant.

There has been no change in the Scheme's activities that warrants a reassessment of the above information. Thus, the Scheme has met the criteria to defer the implementation of IFRS 9 and, after due consideration, decided to defer the implementation of IFRS 9 until the adoption of IFRS 17.

Impact of adoption of IFRS 9 on the Scheme

The impact of IFRS 9 is that it replaces the "incurred loss model" of IAS 39 with the "expected credit loss model" which means that a loss event will no longer need to occur before an impairment allowance is recognised. Refer to Note 22 for a detailed disclosure.

Other information

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 December 2020, R1 806 445 (2019: R2 692 042) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2020 R	2019 R
1 month past due	884 269	1 565 265
2 months past due	560 668	731 431
3 months past due	361 508	395 346
	1 806 445	2 692 042

The ageing of these trade and receivables which were impaired is as follows:

3 to 6 months	1 688 114	3 672 353
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The carrying amount of trade and other receivables approximate their fair values due to the short-term nature of these assets. The Scheme does not impose interest charges on the receivable amounts. The estimated cash flow receipts have not been discounted as the effect would be immaterial.

Included in the other receivables is an accrued investment income of R6 307 767, this represents income on investment accrued but not yet capitalised to the total investment as at 31 December 2020, the accrued income of R 9 626 680 was previously included in the total investments in the previous year, refer to Note 4.

7. ASSETS CLASSIFIED AS HELD FOR SALE

The Scheme decided to dispose the property in Mitchell's Plain and the land in Retreat. The assets of the disposal group are set out below.

The Board of Trustees of the Scheme's made a decision during the 2018 financial year to sell the two properties. The Scheme has appointed the services of property agents to actively market the Scheme property in Retreat and Mitchells Plain to the public for the Scheme to evaluate the appropriate option in the best interest of SAMWUMED.

The Scheme had invested on fixed property which is prohibited by the Council of Medical Schemes and the Medical Schemes Act 131, of 1998 as amended.

The Scheme decided to dispose the properties at market related prices and reinvest the funds to the Scheme for the benefit of the Scheme members.

The Offer to purchase for Mitchells Plain is R9 million. The Retreat property is still on the market, there have been no new offers received.

Assets and liabilities

	2020 R	2019 R
Non-current assets held for sale		
Property, plant and equipment	11 000 000	14 061 846

8. REVALUATION RESERVE

	2020 R	2019 R
Reserve on revaluation of property		
Balance at beginning of year	23 699 039	18 312 410
(Loss)/gain on revaluation of property	(9 393 798)	5 386 629
Balance at end of year	14 305 241	23 699 039

The Scheme's property is stated at their revalued amounts as per the valuation performed, as at 31 December 2020 by the Valuator Group. This resulted in a decrease in the value of property.

	2020 R	2019 R
Reserve on revaluation of a liability		
Balance at beginning of year	11 528 000	8 017 000
Gains on remeasurement of post-retirement benefit liability	453 000	3 511 000
Balance at end of year	11 981 000	11 528 000

The Scheme's retirement benefit obligation was remeasured as at 31 December 2019 by the Actuaries. As at 31 December 2020, a projection of the liability was performed by Alexander Forbes. This resulted in an actuarial gain.

9. LEASE LIABILITIES

	2020 R	2019 R
Minimum lease payments due		
- within one year	1 749 408	469 862
- in second to fifth year inclusive	2 778 147	820 944
	4 527 555	1 290 806
less: future finance charges	(392 924)	(162 941)
Present value of minimum lease payments	4 134 631	1 127 865
Present value of minimum lease payments due		
- within one year	1 462 024	371 382
- in second to fifth year inclusive	2 672 607	756 483
	4 134 631	1 127 865
Non-current liabilities	2 672 607	756 483
Current liabilities	1 462 024	371 382
Total	4 134 631	1 127 865

The Scheme entered a three-year non-cancellable lease arrangement ending June 2022 for the printers. Instalments are payable on a monthly basis. Interest is charged at variable rates and linked to prevailing prime interest rate. The present value of the lease has been calculated on the assumption that there will not be great fluctuations in the prime interest rate for the next 12 months.

10. RETIREMENT BENEFIT OBLIGATION

	2020 R	2019 R
Carrying value		
Non-current liability portion	2 795 771	2 835 000
Current liability portion	90 115	84 000
Total	2 885 886	2 919 000
Movements for the year		
Opening balance	2 919 000	4 437 545
Current service cost	174 000	901 000
Interest cost	336 000	1 179 000
Payments for retired staff	(90 114)	(87 545)
Net expense recognised in profit or loss	(453 000)	(3 511 000)
Total	2 885 886	2 919 000

	2020 R	2019 R
Reconciliation of the Re-measurement of the defined benefit liability		
Change in discount rate	(380 000)	(1 007 000)
Lower than expected healthcare cost inflation	(73 000)	(167 000)
Unexpected changes in membership	-	(2 337 000)
Total	(453 000)	(3 511 000)

Key assumptions used

Assumptions used for the current year projection are as follows		
Expected retirement age	60 years	60 years
Discount rates used	14.00%	11.70%
Expected rate of return on assets	14.40%	8.90%
Duration used to set assumptions	19 years	24 years
Expected increase in salaries	9,9%	8.0%
Healthcare cost inflation	10,40%	8,90%

No allowance for early retirement.

The benefit is unfunded and therefore there are no planned assets as per the requirements of IAS 19. The actuarial valuation was performed by Alexander Forbes Health (Pty) Ltd using the Projected Unit Credit Method as prescribed by the IAS19 as at 31 December 2019. The valuation for the post-retirement medical benefit is performed every three years, however a projection of the retirement liability was performed for the year ended 31 December 2020 and this resulted in an actuarial gain. The next valuation will be performed by 31 December 2022.

The post-employment subsidy policy valued is summarised below:

- Members who retire prior to the retirement age of sixty (60) will not be eligible for a subsidy of medical scheme contributions;
- Members with at least five (5) years' service prior to retirement qualify for a 70% subsidy of contributions;
- Dependants of eligible continuation members receive a subsidy before and after the death of the principal member.

If a member eligible for a retirement subsidy dies in service, their dependants are eligible for a subsidy of medical scheme contributions as described above.

The risks faced by the Scheme as a result of the post-employment healthcare obligation can be summarised as follows:

- **Inflation:** The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled.
- **Longevity:** The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected.
- **Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain.
- **Future changes in legislation:** The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for the Scheme.
- **Future changes in the tax environment:** The risk that changes in the tax legislation governing employee benefits may increase the liability for the Scheme.
- **Perceived inequality by non-eligible employees:** The risk of dissatisfaction of employees who are eligible for a post-employment healthcare subsidy.
- **Administration:** Administration of this liability poses a burden to the Scheme.
- **Enforcement of eligibility criteria and rules:** The risk that eligibility criteria and rules are not strictly or consistently enforced.
- **National Health Insurance Bill:** The National Health Insurance Bill is out for comment. The contents of the Bill are not detailed enough at this stage for any adjustments to be made to the liability. However, this will be monitored.

The liability of the Scheme is calculated to show the effect of:

- A one percentage point decrease or increase in the rate of healthcare cost inflation;
- A one percentage point decrease or increase in the discount rate;
- A one-year decrease or increased in the expected retirement age.

The table below shows the results of the sensitivity analysis to the projected liability

31 December 2020			
Healthcare Cost Utilisation	Central Assumption 14.00%	-1%	+1%
Projected Accrued liability 31 December 2020 (R' million)	2,887	3,376	2,499
% Change	-	+ 16,9%	-13,4%

Healthcare Cost Inflation	Central Assumption 9.20%	-1%	+1%
Projected Accrued liability (R' million)	2,887	2,494	3,375
% Change	-	-13,6%	+16,9%

31 December 2020		
Expected retirement age	% Change	Accrued Liability Million
Current accrued liability	-	2,887
Expected retirement age (+ 1 year)	-6,3%	2,704
Expected retirement age (- 1 year)	+7,2%	3,094

Healthcare Cost Utilisation	Central Assumption 8.90%	-1%	+1%
Accrued liability 31 December 2019 (R' million)	2,919	2,492	3,461
% Change	-	-14,6%	+18,6%

31 December 2020			
Healthcare Cost Utilisation	Central Assumption 8.90%	-1%	-1%
Current Service Cost + Interest Cost 2020	0,510	0,427	0,616
% Change	-	-16,3%	20,8%

Sensitivity results from previous valuation	Central Assumption 10.90%	-1%	-1%
Current Service Cost + Interest Cost 2019 (R' million)	0,962	0,778	1,204
% Change	-	-19,1%	+25,2%

Discount rate	Central Assumption 11.70%	-1%	+1%
Accrued liability 31 December 2019 (R' million)		3,465	2,495
% Change		+18,7%	-14,5%

31 December 2019		
Expected retirement age	% Change	Accrued Liability Million
Current accrued liability	-	2,919
Expected retirement age (+ 1 year)	-5,9%	2,748
Expected retirement age (- 1 year)	+6,6%	3,113

11. PROVISION FOR OUTSTANDING CLAIMS

	2020 R	2019 R
Reconciliation of provision for outstanding claims		
Opening balance	95 649 006	71 308 687
Payments in respect of prior years	(94 832 664)	(72 553 596)
Over/ (Under) provision	816 342	(1 244 909)
Amounts reversed during the year	(816 342)	(162 765)
Adjustments for the current year	115 562 227	97 056 680
Closing balance	115 562 227	95 649 006

The Scheme used the Chain-Ladder method or the adaption thereof to estimate the IBNR.

This method uses runoff factors that are calculated based on historical claims payment patterns. These runoff factors are then applied to actual claims paid to date in order to estimate the outstanding claims amount.

The effectiveness of the provision is assessed on a monthly basis, through reviews of past experience and consideration of changes in fundamentals such as claims processing and composition.

Assumptions

The assumption that has the greatest effect on the measurement of the outstanding claims provision is the expected claims development pattern for the most recent months. Known changes to claims development pattern are taken into consideration.

Changes in assumptions and key variables

The Scheme reviews the provision for outstanding claims on a monthly basis, noting the any changes in the assumptions used in determining the provision. This is supported by a monthly actuarial trends report, which include the impact the claims utilisation and analysis against the budget.

This information was reported to the Board of Trustees through the submission of the Schemes' management accounts and reports. The current provision is prudently adequate, as it is monitored and adjusted on a monthly basis.

Sensitivity Analysis

The table below outlines the sensitivity of the outstanding claims provision to changes in the assumed proportion of claims outstanding (currently 6.66%) 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. The table outlines the sensitivity of these percentages, and the impact on the Scheme's liabilities if an incorrect assumption is used. The IBNR provision as at 31 December 2020 has been recalculated based on a higher assumed proportion of claims outstanding.

The results are summarised in the table below:

Change in proportion of claims outstanding	Original IBNR	IBNR after Sensitivity Test	% Changes in IBNR	Implied proportion of claims outstanding
%	(R' million)	(R' million)	%	%
+3%	115 562 227	158 052 080	36,77%	10,4%
+2%	115 562 227	143 596 168	24,26%	9,4%
+1%	115 562 227	129 435 881	12,01%	8,5%
0 %	115 562 227	115 562 227	0,00%	7,6%
-1%	115 562 227	110 574 521	(4,32%)	7,2%
-2%	115 562 227	108 249 112	(6,33%)	7,1%
-3%	115 562 227	106 635 922	(7,72%)	7,0%

12. TRADE AND OTHER PAYABLES

	2020 R	2019 R
Accrued bonus	535 995	457 679
Accrued leave pay	2 388 045	1 737 625
Current portion of post-retirement medical aid subsidy benefits	90 115	84 000
Third party salary payables	453 087	406 949
Other payables and accrued expenses	5 440 658	10 093 073
Contribution credits due to municipalities	242 986	244 708
Credits on contribution age	3 436 660	7 604 332
Outstanding claims	20 201 257	14 880 158
Unallocated contribution receipts	-	14 419 857
Unknown deposits	1 188	6 411
Total	32 789 991	49 934 792

Fair value of trade and other payables

The carrying amounts of trade and other payables approximates their fair values due to the short-term nature of these liabilities (i.e. the effects of discounting are not considered material). No interest charges have been levied against the Scheme on any of the payable amounts. At 31 December 2019, an amount of R14 419 857 was not allocated to member accounts due to outstanding payment schedules.

Included in trade and other payables are amounts due to participating municipalities to the value of R242 986 (2019: R244 708), and credits to the value of R3 436 660 (2019: R7 604 332) on the contribution age analysis.

The scheme is in the process of investigating these credits and will refund valid credits to the municipalities when the investigations are finalised.

Reconciliation of insurance liabilities - 2020	Opening balance	Additions	Refunded during the year	Reversed/paid during the year	Closing balance
Unknown deposits	6 411	25 400 027	121 713	(25 526 963)	1 188
Contribution credits due to municipalities	244 708	3 446 130	(380 706)	(3 067 146)	242 986
Credits on Contribution age	7 604 332	78 381 620	-	(82 549 292)	3 436 660
Outstanding claims	14 880 158	3 033 010 886	-	(3 027 689 787)	20 201 257
Unallocated contribution receipts	14 419 857	1 821 023 641	-	(1 835 443 498)	-
	37 155 466	4 961 262 304	(258 993)	(4 974 276 686)	23 882 090

Reconciliation of insurance liabilities - 2019	Opening balance	Additions	Refunded during the year	Reversed/paid during the year	Closing balance
Unknown deposits	89 641	35 348	-	(118 578)	6 411
Contribution credits due to					
Municipalities	236 208	840 996	(832 496)	-	244 708
Credits on contribution age	11 429 721	122 455 486	-	(126 280 875)	7 604 332
Outstanding claims	10 740 366	2 794 839 402	-	(2 790 699 610)	14 880 158
Unallocated contribution receipts	30 971 963	1 998 203 632	-	(2 014 755 738)	14 419 857
Total	53 467 899	4 916 374 864	(832 496)	(4 931 854 801)	37 155 466

13. RISK CONTRIBUTION INCOME

	2020 R	2019 R
Contribution Income	1 483 380 706	1 331 418 449

The Scheme collected a total contribution income for the year under review of R1,483 billion which is 0,85% higher than budget and 11,41% higher than in prior year. This was due to the growth in membership which had a positive impact on contribution income.

14. RELEVANT HEALTHCARE EXPENDITURE

	2020 R	2019 R
Current year claims	1 242 814 845	1 157 866 559
Ex-gratia claims	13 464	15 642
Movement in outstanding claims provision for the current year	115 562 227	97 056 680
Amounts reversed during the year	(816 342)	(162 765)
Third party claims recoveries	(1 937 579)	(1 597 284)
Forensic recoveries	(7 236 527)	(5 824 858)
Managed care management services	27 300 441	22 624 863
Total	1 375 700 529	1 269 978 837

14.1 COVID-19 claims experience

	2020	Total
Total lives infected by COVID-19	2 710	2 710
Total lives recovered from COVID-19	786	786
Total deaths from COVID-19	173	173
Total COVID-19 related claims in Rands	82 081 192	82 081 192

14.2 Analysis of Accredited Managed Care: Management Services

	2020 R	2019 R
Medscheme Active Disease Risk Management Services	1 662 909	644 616
Medscheme Active Disease Risk Management Service Enrolment Fees	3 112 104	1 171 752
Medscheme Network Management Services	760 187	709 631
Medscheme Hospital Benefit Management	8 799 162	8 197 619
Medscheme Pharmacy Benefit Management	6 266 790	5 838 326
Aid for Aids HIV Management	6 699 289	6 062 919
Total	27 300 441	22 624 863

Managed care services include Medicine Risk Management, Disease Risk Management, HIV Risk Management, Pharmacy Benefit Management, Pharmacy Networks Management, PMB Management and Hospital Benefit Management. These services are provided to Scheme members by the service providers as listed above.

15. ACCREDITED BROKER SERVICE FEES

	2020 R	2019 R
Brokers fees	3 296 590	2 979 991

16. NET HEALTHCARE RESULT INCLUDES THE FOLLOWING:

	2020 R	2019 R
Administration expenditure		
Trustees' fees - expenses	829 164	-
Remuneration paid to Principal Officer	2 366 131	2 255 845
Depreciation	4 815 633	3 730 827
Amortisation	192 795	224 987
Audit fees: current year	1 373 100	948 750
Audit fees: prior year	857 721	97 248
Commercial comprehensive insurances	653 741	557 695
Staff fidelity guarantee insurance	40 000	20 000
Employee costs	37 632 792	33 544 183
Administration system	9 240 239	7 713 293
Advertising and public relations	1 806 043	1 192 905
Campaign expenses	1 426 805	2 960 686
Travelling expenses	757 749	2 039 959
Education materials and resources	838 393	1 127 446
Other expenses	6 865 273	9 844 443
Curator fees - expenses	1 201 938	2 979 713
Advertising and marketing	4 707 764	3 595 493
Computer support and licences	2 624 600	2 200 459
Forensic services	3 059 439	1 396 129
Telephone costs	5 251 651	4 369 431
Legal fees	1 957 345	3 340 011
Annual General Meeting expenses	350 624	3 901 592
Board of Healthcare Funders fees	464 716	437 629
Council for Medical Scheme levies	1 306 369	1 282 760
Actuarial fees	720 360	692 760
Short term rentals	1 531 190	734 749
Security	987 877	875 110
Bank charges	835 273	754 133
Total	94 694 725	92 818 236

Principal Officer remuneration -2020

	Salary and bonus	Leave provision	Other short- term benefits	Long-term benefits	Total
M.F. Mosoeu	1 820 828	158 643	82 738	303 922	2 366 131

Principal Officer remuneration - 2019

	Salary	Other short-benefits term	Long-term-term benefits	Total
M.F. Mosoeu	148 423	6 514	24 661	179 598

2020 Board of Trustee's expenses

Board of trustees	Meeting cost	Accommodation and travelling	Telephone expenses	Travel Claims	Total
S Dube	6 512	29 405	47 166	693	83 776
N Bhozo	3 454	43 555	29 236	426	76 671
L Sibiya	6 623	77 653	26 140	1 290	111 706
M Marule	3 954	97 767	26 884	-	128 605
N Adams (Simons)	5 985	22 013	25 596	694	54 288
G M Nzuzi	6 262	60 235	25 583	3 825	95 905
A Ntuli	3 204	43 882	26 548	3 270	76 904
E B Mdhuli	954	37 117	25 868	-	63 939
N P Ntsuba	2 927	33 018	26 016	2 129	64 090
S T Kwanyana	4 395	40 542	25 574	2 769	73 280
Total	44 270	485 187	284 611	15 096	829 164

Curator expense 2020

	Fees	Accommodation and traveling	Telephone	Total
J M Seoloane	1 053 750	116 917	31 271	1 201 938

Curator expense 2019

	Fees	Accommodation and traveling	Telephone	Total
J M Seoloane	2 520 000	416 008	43705	2 979 713

17. ISSUES OF NON-COMPLIANCE**17.1 Contravention of Section 26(7) of Medical Schemes Act****Nature and impact of non-compliance**

In terms of Section 26(7) of the Medical Schemes Act 131 of 1998, as amended, all contributions shall be paid directly to a medical scheme not later than three days after payment thereof becoming due.

Cause of non-compliance

The Scheme encounters employer groups who do not make their contribution payments within the statutory prescribed time. For the employer groups identified, causes of non-compliance range from administrative to cashflow challenges. The Scheme management continuously follow up with these employer groups until payment is received. The outstanding contributions are however received but not in compliance to the statutory prescribed time.

Corrective action

Non-compliant employer groups are continuously notified of the non-compliance and requested to make payment of the outstanding contributions. The Scheme currently enforces the debt management policy to mitigate the risk.

17.2 Contravention of Section 33 (2) of the Medical Schemes Act**Nature and impact of non-compliance**

In terms of Section 33(2) of the Medical Schemes Act 131 of 1998, as amended, each benefit option is required to be self-supporting in terms of membership and financial performance and be financially sound.

Cause of non-compliance

During the financial year under review, Option B of the Scheme did not comply with Section 33(2) in terms of financial performance.

Benefit Option	Net healthcare deficit	Net surplus for the year.
Option B	(1 427 202)	35 425 374

Corrective action

The Scheme continues to monitor both benefits with a view to improve their financial outcome and has applied different strategies to address the deficits in the benefit options. Contribution increase of 6,5% on average has been applied and marginal enhancements were made on the benefits for the 2021 benefit year to address this deficit.

17.3 Contravention of Section 35 (8) of the Medical Schemes Act**Nature and impact of non-compliance**

Section 35 (8) of the Act states that: "A medical scheme shall not invest any of its assets in the business of or grant loans to:

- (a) an employer who participates in the medical scheme or an administrator or any arrangement with the medical scheme;
- (b) any other medical scheme
- (c) any administrator; and
- (d) any person associated with any of the abovementioned".

At 31 December 2020 the Scheme indirectly holds investments in the holding company of the Administrator or any other Administrator. This is in contravention of section 35(8)(c) of the Act.

Cause of non-compliance

The Funds in this specific portfolio are structured at the sole discretion of the asset manager in a manner that maximises returns. Therefore, the Scheme does not make inputs into the structuring of the portfolio.

Corrective action

The Scheme has been granted exemption by the Council for Medical Schemes in terms of Section 35(8) and is therefore allowed to hold these shares. The exemption is valid for a period of three years, effective 1 December 2019 until 30 November 2022, subject to renewal.

17.4 Contravention of Section 57(4)(f) of the Medical Schemes Act

Nature and impact of non-compliance

Section 57(4)(f) requires the Board of Trustees to take out and maintain professional indemnity insurance and fidelity guarantee insurance

Cause of non-compliance

The Scheme elected Board of Trustees applied for the professional indemnity insurance and fidelity guarantee insurance to ensure compliance to Section 57(4) of the Medical Scheme's Act as amended. The Scheme approached various insurers that offer the Trustees professional indemnity insurance, however all the providers that were approached declined to offer this insurance cover to the Scheme's Board of Trustees, due to their risk appetite.

Corrective action

The Scheme has applied to the Council of Medical Schemes to be exempted to Section 57(4) of the Medical Scheme's Act as amended until such time that the insurance cover is sourced successfully. The application for an exemption has not been granted by the Council of Medical Schemes. The Scheme continues to approach insurers and seek the cover to ensure compliance with Section 57(4) of the Medical Schemes Act.

17.5 Contravention of Section 36(10) of the Medical Schemes Act

Nature and impact of non-compliance

Section 36(10) required that an audit committee of at least five members of which at least two shall be members of the Board of Trustees.

Cause of non-compliance

The Scheme was placed under Curatorship on 25 October 2018 for 12 months effective from this date. The Curator assumed all duties and responsibilities of the Board of Trustees and the Audit and Finance committee. The Curatorship on SAMWUMED exceeded the initial 12 months due to the delays experienced with the election process of the new Board of Trustees. Further delays were also experienced in the processing and delivery of the court papers uplifting the Curatorship as a result of the COVID-19 lockdown. The elected Board of Trustees could only commence with their duties and appoint the Audit and Risk committee once the Curatorship was lifted. The Scheme was in Contravention of Section 36(10) of the Medical Schemes Act of 1998, as amended for the year under review up to the date the appointments were concluded in November 2020.

Corrective action

The Curatorship was lifted on 7 May 2020 and the elected Board of Trustees officially assumed their responsibilities after this date. The Scheme appointed the Audit and Risk committee, this was concluded in November 2020 to ensure compliance to Section 36(10) of the Medical Schemes Act.

18. GUARANTEES AND COMMITMENTS

Authorised capital expenditure

The Scheme has not committed to any capital expenditure nor provided any guarantees for the year under review.

Finance leases – as lessee (expense)

	2020	2019
	R	R
Minimum lease payments due		
- within one year	456 000	731 881

These payments represent rentals payable by the scheme for certain rentals of regional office space. These leases for are negotiated for 12 months and due for review and renewal every year.

19. CONTINGENCIES

	2020 R	2019 R
Matter: Moroka & Ramoba vs SAMWUMED		
Possible liability	200 000	200 000

There are three Civil claims with the High Court Civil that were brought by pharmacists for services allegedly rendered to Scheme members. The action is being defended and the Scheme is awaiting a trial date.

	2020 R	2019 R
Matter: CayiCayi and another vs SAMWUMED		
Possible liability	100 000	100 000

High Court claim for services allegedly rendered to Scheme members. The action is being defended and the Scheme is awaiting a trial date.

	2020 R	2019 R
Matter: Ryan Construction vs SAMWUMED		
Possible asset	5 113 975	5 113 975

The SAMWUMED Head Office in Athlone has been retained although the renovations seem to have been over- capitalised for the location of these offices. The building, after millions of members monies was spent an estimated at R29 million, is still not certified for occupation since 2015 and we have discovered more latent defects. The application to obtain the required Occupancy Certificate from the City Council is in progress.

A forensic investigation was carried out with a view to establish the legitimacy of Ryan Construction's claim and any irregularities which arose as a result of the maintenance agreement between SAMWUMED and Ryan Construction. The investigation established that there were overbillings by Ryan Construction for services carried out. The former Principal Officer was implicated in Ryan Construction's dealings with SAMWUMED. The billing discrepancies pertaining to the construction works were conducted by an Independent Quantity Surveyor.

Ryan Construction refused to provide SAMWUMED with bills of materials used in the renovations and instead issued summons to the SAMWUMED for outstanding payments of R417 800 and the scheme is defending the matter. The case is currently in the Western Cape Regional Magistrate's Court. SAMWUMED has in turn issued summons to recover an amount of R5 113 975 based on the findings of the forensic investigations. The Scheme is waiting for a trial date.

	2020 R	2019 R
Matter: Ms Khosana vs SAMWUMED		
Possible Asset	251 987	251 987

During the Provisional Curator's tenure, the Scheme made advance payments to Ms Khosana during the period 03 May 2018 to 31 October 2018. Supporting invoices or receipts were required to be submitted in support of the advance payments made. On reconciliation of the payments made against the invoices and/or receipts received, there was a balance of R306 984.00 (Three Hundred and Six Thousand Nine Hundred and Eighty-Four Rands) which was unreconciled.

The Scheme addressed a letter of demand to Ms Khosana to provide the outstanding invoices, or to pay the outstanding balance. Ms Khosana responded providing further invoices/ receipts.

Further supporting documentation were submitted which were then reconciled to the advance payments made. The balance outstanding that could not be accounted for reduced to R251 987. The Scheme issued a combined summons to the High Court against Ms Khosana. The Scheme received the defendant's plea in terms of which the defendant set out her defence to the action. The Scheme respondent to the plea and is currently waiting for further communication from the defence lawyer.

20. RELATED PARTIES

Related persons	Relationships
Board of Trustees	Control
South African Municipal Workers Union (SAMWU)	Significant influence
Aid for Aids Management (Proprietary) Limited	Significant influence
Netcare 911 (Proprietary) Limited	Significant influence
Brokers	Significant influence
Management Information Planning (MIP) Holdings (Proprietary) Limited	Significant influence
Medscheme Holdings (Proprietary) Limited	Significant influence
Medscheme Forensic Unit	Significant influence
Principal Officer	Key management personnel
Independent delegates of audit and finance committee	Significant influence

Aid for Aids Management Proprietary Limited

Aid for Aids HIV Management is a managed care service provider. AfA has significant influence over the Scheme since AfA provides operational information on which policy decisions were based but does not control the Scheme. AfA provides custom made, integrated health risk management services to the Scheme and has built considerable capacity in the provision of wellness, HIV and AIDS, disease, medicine, hospital and clinical risk management services. The agreement was for an initial period of one year, commencing on 1 January 2017 and terminating on 31 December 2018 and automatically renewed for a successive period on one year. The Scheme has the right to terminate the contract on 180 days' notice. The contract was reviewed and renewed for the 2020 year. The fees due are reviewed annually before 30 November and is payable within 30 days. Interest charges may apply to late payments.

South African Municipal Workers' Union (SAMWU)

The Union is responsible for appointing four members of the Board of Trustees in compliance with Rule 24.1.2.3 of the Scheme's Rules and thus has significant influence over the Scheme but does not control the Scheme.

Netcare 911 Proprietary Limited

The Scheme has entered a new contract with Netcare 911, to provide the Services as a pre-hospital risk management, emergency response and transportation from 01 January 2019 to 31 December 2019. Thereafter automatically renew at the end of the initial period for a further 1 (one) year period (term) and after the end of the first renewal period for an additional 1 (one) year period. The contract was reviewed and renewed for 2020 year. The Scheme terminated the contract as at 31 December 2020.

Brokers

The Scheme has contracted brokers to service existing members of the Medical Scheme and recruit new members. The broker fees are paid in accordance with the requirements of the Act. The fees are paid 30 days in arrears and outstanding balances bear no interest. The Scheme has the right to terminate the contract on 30 days' notice. The brokers have significant influence over the Scheme due to the interaction with Scheme members but do not control the Scheme.

Management Information Planning (MIP) Holdings Proprietary Limited

The Scheme has entered into an agreement with MIP to provide an administration system to the Scheme and, in turn, the operational information on which policy decisions will be based. MIP has significant influence over the Scheme but does not control the Scheme. The agreement was for an initial period of 3 years commencing on 1 January 2015 and terminating on 31 December 2017 and subsequently renewed. The Scheme has the right to terminate the contract on 180 days' notice. The fees due are reviewed annually and are payable within thirty days from the billing date. Interest charges may apply to late payments.

Medscheme Holdings Proprietary Limited

The Scheme entered into an agreement with Medscheme to provide Managed care services that include Medicine Risk Management, Disease Risk Management, HIV Risk Management, PMB Management and Hospital Benefit Management. Medscheme has significant influence over the Scheme but does not control the Scheme. The agreement is for an initial period of 3 years commencing on 01 August 2015 and terminating on 31 July 2018. The contract is renewed automatically for successive periods of one year. The Scheme has the right to terminate the contract on 180 days' notice. The fees due are reviewed annually and are payable within 30 days. Interest charges may apply to late payments. The Scheme reviewed the contract for 2020 and included Active Disease Risk Management, Network Management to the services provided by Medscheme.

The Scheme entered into an agreement with Medscheme to provide Forensics services that include software, that can identify fraudulent claims, investigating service provider and collection services. Medscheme has significant influence over the Scheme but does not control the Scheme. The agreement is for an initial period of one year commencing on 01 July 2017 and terminating on 30 June 2018. The contract is renewed automatically for successive periods of one year. The Scheme has the right to terminate the contract on six months' notice. The fees due are reviewed annually and are payable within 30 days. Interest charges may apply to late payments.

Related party balances trade payables	2020 R	2019 R
Amounts included in Trade Payable regarding related parties		
Aid for Aids Management (Proprietary) Limited	(571 008)	(804 136)
Medscheme Holdings (Proprietary) Limited	(235 918)	(3 267 886)
Alexander Forbes Health (Proprietary) Limited	(60 030)	-
Brokers	(233 120)	(319 398)
Medscheme Holdings (Proprietary) Limited (Forensic services)	(361 295)	(72 091)
The payables above are payable within 30 days of the invoice and interest may be charged for late payments and are unsecured.		
Related party transactions		
For services rendered by related parties		
Brokers	3 296 590	2 979 991
Aid for Aids Management (Proprietary) Limited	6 699 289	6 062 919
Netcare 911 (Proprietary) Limited	608 149	557 567
Alexander Forbes Health (Proprietary) Limited	720 360	-
Medscheme Holdings (Proprietary) Limited	20 601 151	16 561 945
Management Information Planning (MIP) Holdings (Proprietary) Limited	8 296 987	7 713 293
Medscheme Holdings (Proprietary) Limited (Forensic services)	2 635 551	1 396 129
Expenses and other considerations		
Board of Trustees		
Premiums paid by Board of Trustees	(466 657)	-
Claims paid on behalf of Board of Trustees	969 292	-
Expenses and other considerations	829 164	-
	1 331 799	-
Management		
Premiums paid on behalf of key management personnel	(530 850)	-
Claims paid on behalf of key management personnel	290 082	-
	(240 768)	-

RELATED PARTIES (CONTINUED)

	2020 R	2019 R
Principal Officer - M.F. Mosoeu		
Short-term benefits - salary and bonus	1 820 828	148 423
- car and housing allowance	68 100	5 000
- leave provision	158 643	-
- SDL and UIF contributions	14 638	1 514
Long-term benefits - defined contribution plan (pension)	303 922	24 661
	2 366 131	179 598
Former Principal Officer - N.N Nair		
Remuneration and other considerations	-	2 076 247
The payment made to the former Principal Officer, Mr N.N. Nair was for a settlement agreement paid in February 2019.		
Independent Delegates		
Meeting costs	162 649	-
Curator - J.M. Seoloane		
Curator fees	1 053 750	2 520 000
Expenses and other considerations	148 188	459 713
Total	1 201 938	2 979 713

The Provisional Curator and the Curator are not members of the Scheme.

21. IFRS 12 INTEREST IN OTHER ENTITIES**Unconsolidated structured entities****Pooled Funds - Unit trusts**

The Scheme's investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The investment manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset-based fee and is reflected in the valuation of the Scheme's investment in each of the Investee Funds.

The right of the Scheme to request redemption of its investments in Investee Funds ranges in frequency from weekly to semi-annually.

The exposure to investments in Investee Funds at fair value, by strategy employed, is disclosed in the following table.

These investments are included in the investments at fair value through profit or loss - designated in the statement of financial position.

2020 Strategy	Number of Investee Funds	Net asset value of investee fund (range and weighted average) Rand	Fair value of scheme's assets of investment Rand) *	% of net assets attributable to holders of redeemable shares**	Credit rating
Stanlib Income Fund	55 172	53 557 000 000	411 249 943	0,77%	AA-(ZA)(f)
Investec Fund - Corporate	420	30 830 000 000	204 305 777	0,66%	AA-(ZA)(f)
Money Market Fund					
-		84 387 000 000	615 555 720	-	-

21. IFRS 12 INTEREST IN OTHER ENTITIES

2019 Strategy	Number of Investee Funds	Net asset value of investee fund (range and weighted average) Rand	Fair value of scheme's assets of investment Rand) *	% of net assets attributable to holders of redeemable shares**	Credit rating
Stanlib Income Fund	53269	46 130 891 780	428 187 555	0,93%	AA+
Investec Fund - Corporate	395	20 800 000 000	254 001 846	1,22%	AA+
Money Market Fund					
Total		66 930 891 780	682 189 401	-	-

The fair value of financial assets R615 555 720 (2019: R682 189 401) is included in the statement of financial position. This represents the entity's percentage interest in the total net assets of the Investee Funds.

The Scheme's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds.

Once the Scheme has disposed of its shares in an Investee Fund, it ceases to be exposed to any risk from that Investee Fund.

22. DEFERRAL OF IFRS 9

The effective date of IFRS 9 Financial Instruments is for annual periods beginning on or after 1 January 2018. IFRS 9 will change the classification of financial assets to either amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI).

In addition, IFRS 9 replaces the "incurred loss" model in IAS 39 Financial Instruments:

Recognition and Measurement (IAS 39) with an "expected credit loss model", which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The effective date of IFRS 17 Insurance Contracts is for annual periods beginning on or after 1 January 2022 (due course). The differing effective dates of IFRS 9 and IFRS 17 could have a significant impact on insurers (including medical schemes). Entities whose predominant activity (refer paragraph 73 of this SAICA Medical Schemes Accounting Guide), is the issuing of insurance contracts within the scope of IFRS 4 Insurance Contracts (IFRS 4) are afforded the option to defer the implementation of IFRS 9 (Deferral Approach) i.e. granted temporary exemption from recognising financial instruments in accordance with IFRS 9 (thus permitted to continue to apply IAS 39) until the recognition of insurance contracts have been finally settled, although this option may not be used after 1 January 2022 (due course).

The Scheme is a not-for-profit closed medical scheme; thus, the activities of the medical scheme are predominantly connected with insurance.

In this regard, management has assessed the following:

- the medical scheme has not previously applied any version of IFRS 9: and
- the total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 and subsequent years represents 97% of total liabilities, which is considered significant.

There has been no change in the medical scheme's activities that warrants a reassessment of the above information.

Thus, the Scheme has met the criteria to defer the implementation of IFRS 9 and, after due consideration, decided to defer the implementation of IFRS 9 until the adoption of IFRS 17.

The amendment of IFRS 4 Insurance Contracts requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest ('SPPI') and other financial assets separately.

IFRS 9 - Impact of adoption on the Scheme

In terms of each investment portfolio, the Scheme will need to assess if the investment will be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

I. Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

II. A financial asset is measured at fair value through profit or loss if:

- (a)** Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- (a)** It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (b)** At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

With regards to the impairment of the financial assets:

I. Impairment of debt instruments held at amortised cost and fair value through other comprehensive income. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Scheme has assessed that the following financial assets have contractual cash flows that meet the SPPI criteria:

- Listed bonds (government and corporate bonds) and unlisted debt securities
- Cash and cash equivalents (current and call accounts)
- Money market instruments and
- Insurance and non-insurance receivables

The remaining financial assets held by the scheme have contractual cash flows that do not represent solely payments of principal and interest. This group includes unit linked investments and equities. The Scheme does not currently apply the option under IAS 39 to designated financial assets at fair value.

The Scheme does not currently apply the option under IAS 39 to designated financial assets at fair value. The fair value and change in fair value of the two groups of financial assets are disclosed in the following table:

Financial instruments with contractual cash flows that meet the SPPI criteria, excluding those held for trading

	Amortised cost 2020 R	FVOCI 2020 R	Sub Total 2020 R	FVTPL 2020 R	Total 2020 R
Available-for-sale investments					
Opening fair value	-	588 041 501	588 041 501	225 566 220	813 607 721
Net (disposals)/purchases	-	193 040 392	193 040 392	68 446 948	261 487 340
Increase/ decrease) in fair value	-	(3 563 627)	(3 563 627)	428 589	(3 135 038)
Listed bonds/unlisted debt securities	-	(3 563 627)	(3 563 627)	-	(3 563 627)
Listed equities	-	-	-	428 589	428 589
Closing fair value	-	777 518 266	777 518 266	294 441 757	1 071 960 023
Money markets instruments and cash					
Closing fair value (note 4)	284 666 535	-	284 666 535	-	284 666 535
Cash and cash equivalents					
Closing fair value (note 5)	211 203 926	-	211 203 926	-	211 203 926
Insurance receivables					
Closing fair value (note 6)	24 680 491	-	24 680 491	-	24 680 491
Non-insurance receivables					
Closing fair value (note 6)	13 098 401	-	13 098 401	-	13 098 401

The Scheme does not currently apply the option under IAS 39 to designated financial assets at fair value.

Credit risk exposure for assets that pass the SPPI test

The following table represents the entity's exposure to credit risk on financial assets that meet the SPPI criteria:

Exposure to credit risk	Listed bonds/ unlisted debt instruments	Cash and cash equivalents	Money markets instruments and cash	Insurance receivables and other short term receivables	Total
	2020 R	2020 R	2020 R	2020 R	2020 R
Aa1.za	-	211 203 926	-	37 778 892	248 982 818
Aa.za	-	-	284 666 535	-	284 666 535
Unrated	777 518 265	-	-	-	777 518 265
Total	777 518 265	211 203 926	284 666 535	37 778 892	1 311 167 618

Financial instruments with contractual cash flows that meet the SPPI criteria, excluding those held for trading

The Scheme does not currently apply the option under IAS 39 to designated financial assets at fair value. The fair value and change in fair value of the two groups of financial assets are disclosed in the following table:

	Amortised cost 2019 R	FVOCI 2019 R	Total 2019 R	FVTPL 2019 R	Total 2019 R
Available-for-sale investments					
Opening fair value	-	41 952 698,00	41 952 698,00	42 941 899,00	84 894 597,00
Net (disposals)/ purchases	-	544 292 940,00	544 292 940,00	181 580 617,00	725 873 557,00
Increase/ decrease) in fair value	-	1 795 863,00	1 795 863,00	1 043 704,00	2 839 567,00
Listed bonds/unlisted debt securities	-	1 795 863	1 795 863	-	1 795 863,00
Listed equities	-	-	-	1 043 704,00	1 043 704,00
Closing fair value (note 4)	-	588 041 501,00	588 041 501,00	225 566 220,00	1 071 960 023
Money markets instruments and cash					
Closing fair value (note 4)	453 624 726,00	-	453 624 726,00	-	453 624 726,00
Cash and cash equivalents					
Closing fair value (note 5)	161 283 059,00	-	161 283 059,00	-	161 283 059,00
Insurance receivables					
Closing fair value (note 6)	95 235 728,00	-	95 235 728,00	-	95 235 728,00
Non-insurance receivables					
Closing fair value (note 6)	3 494 370,00	-	3 494 370,00	-	3 494 370,00

The Scheme does not currently apply the option under IAS 39 to designated financial assets at fair value.

* Other financial instruments are measured at fair valued through profit or loss.

Note in the case of financial assets held at amortised cost, the amounts disclosed are the carrying amounts applying IAS 39, before adjusting for any impairment allowances.

Credit risk exposure for assets that pass the SPPI test

The following table represents the entity's exposure to credit risk on financial assets that meet the SPPI criteria:

Exposure to credit risk	Listed bonds/ unlisted debt instruments	Cash and cash equivalents	Money markets instruments and cash	Insurance receivables and other short term receivables	Total
	2019	2019	2019	2019	2019
	R	R	R	R	R
Aaa.za		134 955 539,00	-	98 730 098,00	233 685 637,00
Aa1.za	-	26 327 519,00	453 624 726,00	-	479 952 245,00
Unrated	588 041 501,00	-	-	-	588 041 501,00
Total	588 041 501,00	161 283 058,00	453 624 726,00	98 730 098,00	1 301 679 383,00

Per the Moody's National Scale Long-term Ratings instruments from Aaa to Aa1 are regarded as high quality and are subject to very low credit risk.

The carrying amounts of financial assets that do not have credit risk approximate their fair values

23. GOING CONCERN

We draw attention to the fact that at 31 December 2020, the Scheme had accumulated income of **R1 476 956 976** and that the Scheme's total assets exceed its liabilities by **R1 503 243 219**.

The summarised financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Scheme to continue as a going concern is dependent on a number of factors. The most significant of these is the Scheme's ability to grow its membership base, collect contributions and yield investment returns in order to pay claims and other obligations as they fall due.

Despite the COVID-19 hitting South Africa and Scheme beneficiaries in 2020, Scheme growth rates remained constant, the Scheme experienced an increase in number of terminations due to COVID-19 related implications and the members buying down were less than expected. No contributions holidays were implemented, and the Scheme continued to collect contributions with 98% collection rate for the year. For the year under review, a total of **2 710** beneficiaries were affected by COVID-19, of which **786** recovered and a total of **173** beneficiaries died. In total the Scheme paid **R 82 081 192** in respect of COVID-19 related claims.

Subsequent to year end, a COVID-19 announcement about a vaccine rollout was made, whereby the Medical Schemes are required to cover member vaccinations as part of prescribed minimum benefits. With the second wave of COVID-19 that had hit South Africa in December 2020 to January of 2021 and the expected third wave anticipated in June & July of 2021 the scheme claims are expected to increase significantly. The impact of this vaccine rollout and anticipated third wave hitting South Africa will result in an increase in the claims costs for 2021. This anticipated increase has been considered and included in the 2021 Scheme claims revised budget.

24. EVENTS AFTER THE REPORTING PERIOD

On the 22 December 2020 one of the member elected Board of Trustee Ms. N. Adams (Simons) terminated from the Scheme. The Board of trustee was replaced by Ms. R. Letsoalo on 15 February 2021, a member elected trustee in line with the voting results of the Scheme Annual General Meeting held on 27 September 2019. On the 12 April 2021 a trade union appointed Board of Trustee member Mr E.B. Mdhluli terminated (deceased) from the Scheme and has not been replaced yet.

25. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION - 2020

	OPTION A	OPTION B	TOTAL SCHEME
	R	R	R
Gross contributions	422 728 552	1 060 652 154	1 483 380 706
Less:	(375 181 123)	(1 000 519 406)	(1 375 700 529)
Gross claims reported and paid	(337 027 430)	(905 787 416)	(1 242 814 846)
Ex-gratia grants	-	(13 464)	(13 464)
Accredited managed care: Management Services	(10 281 211)	(17 019 229)	(27 300 441)
Provision for IBNR movement	(31 327 405)	(83 418 479)	(114 745 885)
Forensic and motor vehicle accident recoveries	3 454 923	5 719 183	9 174 106
GROSS HEALTHCARE RESULTS	47 547 429	60 132 748	107 680 177
Administration expenses: benefit management services	(560 223)	(927 377)	(1 487 600)
Administration expenses	(35 661 565)	(59 033 158)	(94 694 723)
Net impairment gains/(loss)	275 283	455 695	730 978
Broker fees	(1 241 479)	(2 055 110)	(3 296 590)
NET HEALTHCARE RESULT	10 359 444	(1 427 202)	8 932 241
NET SURPLUS /(DEFICIT) FROM OPERATIONS	10 359 444	(1 427 202)	8 932 241
Membership as at 31 December 2020			
Membership (Main members)	12 956	21 447	34 403
Dependant members	12 958	27 981	40 939
Total beneficiaries	25 914	49 428	75 342

26. SURPLUS/(DEFICIT) FROM OPERATIONS PER BENEFIT OPTION - 2019

	OPTION A	OPTION B	TOTAL SCHEME
	R	R	R
Gross contributions	383 976 330	947 442 120	1 331 418 450
Less:	(366 486 846)	(903 491 990)	(1 269 978 837)
Gross claims reported and paid	(324 441 775)	(833 424 784)	(1 157 866 559)
Ex-gratia grants	-	15 642)	(15 642)
Accredited managed care: Management Services	(8 486 107)	(14 138 757)	(22 624 864)
Provision for IBNR movement	(27 807 257)	(69 086 658)	(96 893 915)
Forensic and motor vehicle accident recoveries	2 783 888	4 638 254	7 422 143
GROSS HEALTHCARE RESULTS	26 025 080	35 414 533	61 439 613
Administration expenses: benefit management services	(693 518)	(1 424 670)	(2 118 188)
Administration expenses	(34 814 152)	(58 004 084)	(92 818 236)
Net impairment gains/(loss)	536 165	893 308	1 429 473
Broker fees	(1 117 731)	(1 862 259)	(2 979 990)
NET HEALTHCARE RESULT	(10 064 156)	(24 983 173)	(35 047 329)
NET SURPLUS /(DEFICIT) FROM OPERATIONS	(10 064 156)	(24 983 173)	(35 047 329)
Membership as at 31 December 2019			
Membership (Main members)	12495	20818	33 313
Dependant members	12873	27384	40 257
Total beneficiaries	25 368	48 202	73 570

29. AUDITED ANNUAL FINANCIAL STATEMENTS

The audited Annual Financial Statements can be obtained from the Scheme's registered offices:

Business Address

Cnr. Lascelles Road and Trematon street
 Athlone
 7764

Postal address:

P.O Box 134
 Athlone
 7760



2021 AGM

Annexures

2021 AGM AGENDA ITEM 9**APPOINTMENT OF EXTERNAL AUDITORS FOR SAMWUMED**

In terms of Section 36 (1) of the Medical Schemes Act 131 of 1998, a medical scheme shall appoint at least one auditor.

Section 36 (2) states that “The appointment of an auditor shall not take effect unless it has been approved by the Registrar, subject to such terms and conditions as he or she may deem fit.”

The above authorisation and approval of auditors by the Registrar is an annual requirement.

The external audit firm, PriceWaterhouseCoopers Inc. (PWC) was appointed by the previous Board of Trustees, as the Scheme's External Auditors on 25 November 2019.

The Board of Trustees resolved to re-appoint PriceWaterhouseCoopers (PWC) as the external auditors of SAMWUMED on the 21st May 2021 for the 2021 financial year.

The above resolution is hereby recommended to the AGM to confirm the re-appointment of PriceWaterhouseCoopers (PWC) as the external auditors of SAMWUMED for the 2021 financial year.

2021 AGM AGENDA ITEM 10.a**FILLING OF CASUAL VACANCY ON THE BOARD OF TRUSTEES IN TERMS OF RULE 25.4.2****1. BACKGROUND**

- 1.1 During December 2020, Ms Nadine Adams, being one of the Board members advised the Scheme and the chairperson of the Board that her employment was terminated by her employer. Given that the Scheme's Rules (Rule 6.1 read together with Rule 7) provide that membership of the Scheme is restricted to participating employers, who are listed under Rule 4.27, Ms Adams, was no longer an employee as defined. She was accordingly no longer eligible for membership, or as a continuing member given the circumstances relating to her employment.
- 1.2 In relation to her trusteeship, the provisions of Rule 24.1.2.1 read together with Rule 24.6.1.11 are clear. They provide that elected trustees must at all times be members of SAMWUMED. Given that Ms Adams was no longer eligible to be a member of SAMWUMED, she could no longer continue to serve as a trustee.

2. FILLING OF THE CASUAL VACANCY

- 2.1 The termination of Ms Adams' trusteeship caused a casual vacancy in the constitution of the Board. In this regard, in terms of Rule 24.5.1, the Board has a right to fill any casual vacancy which may occur on the Board as soon as possible after the vacancy occurs. Rule 24.5.2 provides that such a trustee shall retire at the first ensuing AGM unless that meeting confirms their appointment and remain in office for the unexpired duration of the period of office of their predecessor.
- 2.2 The Curator of the Scheme caused a trustee nomination and election process to be conducted during 2019, as required in terms of Rule 24.4 of the Schemes Rules. The results of the election of trustees were communicated to the members after the 2019 AGM. As provided under Rule 24.4.12, the 6 candidates who received the most votes in descending order, were elected as trustees. The remaining four trustees were appointed by the Central Executive Committee of SAMWU.
- 2.3 In line with the voting results, Ms Mapula Rose Letsoalo was the next person to have received the most votes after the top 6 nominees, with her being the 7th nominee with the highest votes. As a result, and in accordance with Rule 24.5.1 the Board filled the casual vacancy, by having regard to the provisions of Rule 24.4.12 regarding the election of trustees based on candidates who receive the most votes until all vacancies have been filled. The Board addressed a letter to Ms Letsoalo on 15 February 2021 enquiring on whether she accepts her election on the Board. She confirmed the election on the same day.
- 2.4 It must be noted that Ms Letsoalo is a member of the Scheme in good standing.

3. BASIS FOR SEEKING MEMBER'S APPROVAL

- 3.1 Rule 24.5.2 provides that:
"A person so appointed to fill a casual vacancy shall assume all the rights, obligations and powers of the trustee in whose position he is appointed, provided that such a trustee shall retire at the first ensuing annual general meeting of the Scheme, unless that meeting confirms his appointment, in which case, the trustee appointed to fill the casual vacancy shall be confirmed as a trustee and shall remain in office as such for the unexpired duration of the period of the office of the trustee who he was appointed to replace."
- 3.2 Consequently, Ms Letsoalo must retire at this AGM, unless if the AGM confirms her appointment. Members are accordingly requested to confirm her appointment, so that she can continue with her duties as a trustee for the remainder of Ms Adam's term of office which expires in 2025.

4. PROPOSED RESOLUTION:

4.1 It is proposed that the members resolve as follows:

“On 15 February 2021, the Board filled a casual vacancy which occurred on the Board arising from Ms Adams ineligibility as a member of SAMWUMED as provided for in terms of Rule 24.5. 1. Ms Mapula Rose Letsoalo was appointed by the Board to fill the vacancy having been the next nominee with the highest votes during the 2019 trustee nomination and election process which had been undertaken by the Curator. Ms Letsoalo accepted her appointment to the Board of Trustees.

The members present at the AGM hereby confirm Ms Letsoalo's appointment to fill the casual vacancy as a trustee and that she shall remain in office as such for the unexpired duration of the period of the office of Ms Adams.”

SAMWUMED 2021 AGM AGENDA ITEM 10.b

REPLACEMENT OF CENTRAL EXECUTIVE COMMITTEE APPOINTED TRUSTEE – FOR NOTING

1 BACKGROUND

- 1.1 SAMWUMED was deeply saddened by the passing of SAMWUMED Board of Trustee (BOT) member, Mr. Benjamin Mdluli.
- 1.2 The constitution of the SAMWUMED Board of Trustees in terms of the Scheme Rule 24.1.2.3, allows for 4 (four members) appointed (“Union Appointed Trustees”) by the Central Executive Committee of the Union.
- 1.3 Mr. Mdluli was one of the South African Municipal Union Workers (SAMWU) appointed Trustees on the SAMWUMED Board of Trustees.

2 REPLACEMENT OF TRUSTEE

- 2.1 From a fiduciary point of view, the Scheme was thus required to fill the vacant position in order for a replacement trustee to serve for the remainder of the current term of office.
- 2.2 As Mr. Mdluli was a trustee appointed by the Central Executive Committee of SAMWU, the Scheme engaged the Union to request a replacement trustee for Mr. Mdluli.
- 2.3 The Union has recommended candidates for the replacement of Mr. Mdluli. These recommended candidates were subjected to assessment to determine that they meet the Fit and Proper requirements which entails the necessary screening and vetting procedures to serve on the SAMWUMED Board of Trustees. Upon conclusion of the vetting process a replacement trustee will be appointed.

SAMWUMED 2021 AGM AGENDA ITEM 10.c

THE REMUNERATION OF THE BOARD OF TRUSTEES

1. BACKGROUND

Before its amendment, SAMWUMED Scheme Rule 24.17 and Rule 25.20 did not allow for the remuneration of the SAMWUMED Board of Trustees (BOT) and read as follows:

24.17 Remuneration of Board Members

Members of the Board are entitled to reimbursement of expenses incurred in their capacity. The Board may approve members of the Board following such policy from time to time and subject to Members' approval at an Annual General Meeting for attending meetings of the Board and committees of the Board. Any other costs/ expenses incurred by a Member of the Board on the Board's instruction shall be payable in accordance with the policy as determined by the Board from time to time.

25.20 *Members of the Board are not entitled to any remuneration, honorarium, or any other fee regarding services rendered in their capacity as Members of the Board. Members of the Board are entitled to reimbursement of expenses, in accordance with Rule 21.16.*

The Rules provided for reimbursement for travel, accommodation, and costs related to the Scheme business.

Change and Amendment Application

The policy referred to in Scheme Rule 24.17 above is the SAMWUMED BOT Remuneration policy which deals with the payment of expenses and the remuneration of the BOT members.

On 18 September 2020, the BOT proposed and tabled to the Members at the Annual General Meeting (AGM) the amendment of the SAMWUMED BOT Remuneration policy to allow for the remuneration of the BOT, which also required an amendment to the Scheme Rules 24.17 and 25.20 to allow for the BOT to be remunerated.

The AGM resolved that Scheme Rules 24.17 and 25.20 and the SAMWUMED BOT Remuneration policy be amended to allow the BOT to be remunerated, which rule amendment was subsequently lodged with the Council for Medical Schemes (CMS) and approved.

The amended Scheme Rule 24.17 and Rule 25.20, which reads as follows, now caters for remuneration of the SAMWUMED BOT:

24.17 Remuneration of Board Members

Members of the Board are entitled to reimbursement of expenses incurred in their capacity as Members of the Board in accordance with such policy as may be approved by the Board from time to time and subject to Members' approval at an Annual General Meeting, for attending meetings of the Board, and committees of the Board. Members of the Board are further entitled to remuneration using an honorarium in respect of services rendered in their capacity as Members of the Board. Any other costs/ expenses incurred by a Member of the Board on the instruction of the Board shall be payable in accordance with the policy as determined by the Board from time to time.

25.20 *Members of the Board are entitled to remuneration in the form of an honorarium regarding services rendered in their capacity as Members of the Board. Members of the Board are entitled to reimbursement of expenses, in accordance with Rule 24.17.*

The BOT resolved to refer this matter to the SAMWUMED Remuneration Committee for consideration, the outcome of which is to make a recommendation to members at an AGM. The BOT made this referral to the Remuneration Committee to ensure that transparency and independence in determining the actual quantum were exercised.

Once determined, the quantum must be approved by the AGM. The annual increase will be presented to the AGM every year. The BOT will also disclose any payments or considerations made to them in that particular year by the medical Scheme in writing on an annual basis to the CMS in terms of Section 57(8) of the Medical Schemes Act 131 of 1998.

2. PWC BENCHMARK AND REMUNERATION COMMITTEE REPORT

In order to assist the Remuneration Committee ("REMCO") to make recommendations to the AGM, the Scheme approached an independent consulting firm PriceWaterhouseCoopers, People and Organisation Reward division, to benchmark the remuneration of trustees' fees. The Benchmark report was presented to the Remuneration Committee with the brief provided, amongst others:

- To compare SAMWUMED to similar closed schemes
 - Comparator groups assessed should be similar in the number of members, dependents, income, and assets.
- Consider fee structures within open schemes (Keyhealth, Bonitas, etc.)
- Utilizing information from the latest CMS Reports
- Assessing the number of meetings per year and duration thereof

The PWC report also uses the CMS Benchmark methodology as a guide to Trustee remuneration. Further to that, at least twelve (12) Closed Schemes were used as a Comparator Group to SAMWUMED in terms of closeness metrics similar in size - membership, dependents, income, and assets. A comparison was also made on at least four (4) Open South African Local Government Association (SALGA) accredited schemes to assess the fee structures within these groups.

The Chairperson of the Board, Principal Officer and other Scheme officials were recused from REMCO's meeting when it considered the recommendations made below on Trustees Remuneration. Accordingly, the recommendations on Trustee Remuneration are made by the independent members of REMCO.

REMCO also considered the information provided in the PWC report relating to what is termed Trustee fee build-up, which takes into account the following factors that Schemes need to consider when setting fee levels for trustees:

- The amount of time and attendance is spent on official Scheme meetings.
- Complexity and size of the Scheme in terms of the degree of regulation, assets, turnover.
- Contribution of trustees based on their role as trustees.

REMCO thus considered the following:

- The PriceWaterhouseCoopers Benchmarking Report;
- The Medical Schemes Act, No 103 of 1998 and Regulation 6;
- CMS Circulars 45 of 2011 and 41 of 2014;
- The Board Remuneration Policy.

REMCO resolved that the quantum of remuneration of the BOT should be based on the following aspects, namely:

- **The PriceWaterhouseCoopers benchmark results:**
 - The Committee deliberated on this and resolved to use the benchmark results as a basis for determining the correct market positioning of the BOT remuneration. The Scheme's remuneration philosophy and position is that new entrants should be paid at the 35th percentile and then progressively move them to the 50th percentile over time taking into account the performance of the employee. The 35th percentile is arrived at by reducing the 50th percentile by 15%.
 - A Summary of the benchmark results of the PWC report's findings on Trustee Remuneration are depicted below:

	Comparator group			SALGA accredited	Fee build-up		
	25th percentile	50th percentile/average	75th percentile	Average	Indicative 25th percentile	Fee build-up	Indicative 75th percentile
Board chair	146,717	216,965	413,523	353,217	274,724	410,036	684,761
Board trustee	61,317	101,405	244,814		142,011	211,957	353,969
Average all-inclusive trustee fee (excl. Board Chair and Deputy Chair)		143,951		225,401			
Average all-inclusive trustee fee (based on CMS which would include other expenses)		189,244		286,994			

• **The Trustee Fee Structure:**

- The structure of the fees should be a combination of a retainer fee and per meeting fee.
- The retainer fee will be paid per month and the meeting fee only if the member attends the meeting.
- The meeting fee be all-inclusive irrespective of the number of committees the Trustees serve in, i.e. no additional fees will be payable for attending committee meetings.
- The meeting fee be based on a total of 6 meetings per annum, i.e., no additional fees will be payable for additional meetings held.
- The meeting fee should include a preparation fee.

• **The financial status of the Scheme.**

- REMCO was advised by management during the initial proposal by REMCO that the Scheme can afford the proposed BOT remuneration.

• **Scope and nature.**

- The Committee considered the different roles played by members of the BOT, namely, Board Chairperson, Deputy Chairperson, and Trustees.

• **Competence and work performance.**

- The management provided the Committee with the Trustees' biographies. The Committee noted that the Board assessment is yet to be concluded hence REMCO recommends that the BOT remuneration be based on the 35th percentile.

RECOMMENDATION to the AGM:

Below is the recommended quantum of remuneration for Trustees.

RETAINER/MEETING FEE REMUNERATION MIX			
	35 th Percentile	Retainer 50%	Meeting Fee (50%/6)
Chairman	R184 420,00	R92 210,00	R15 365,00
Deputy Chair	R129 093,00	R64 546,00	R10 757,00
Trustee	R 85 194,00	R43 097,00	R 7 182,00

NOTES ON THE RECOMMENDATION

REMCO recommends a retainer/meeting fee remuneration mix model. The split between the retainer and meeting fee is 50/50.

The meeting fee is based on the assumption that there will be 6 BOT meetings in a year.

The SAMWUMED Pay Philosophy is to pay new entrants at the 35th percentile.

Based on the PWC Remuneration Benchmark, REMCO recommends the 35th Percentile by reducing the 50th percentile by 15%.



Notes

[illegible]

NEED MORE INFORMATION?

CONTACT US ON:

SAMWUMED



Sharecall: 0860 104 117 or 021 697 9000

Email: info@samwumed.org

Operating Hours:

Contact Centre

08h30 – 16h00 Mon – Fri



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Online Platforms:

www.samwumed.org



SAMWUMED



SAMWUMED Health



SAMWUMED Medical Scheme



SAMWUMED

MEDSCHEME



Hospital Authorisation & Enquiries

Tel: 0860 33 33 87

Email: samwumed.authorisations@medscheme.co.za

Chronic Medicine Management

Tel: 0860 33 33 87

Email: E-mail: samwumedcmm@medscheme.co.za

Oncology

Tel: 0860 33 33 87, **Email:** cancerinfo@medscheme.co.za

HIV Management

Aid for AIDS (AfA)

Member Enquiries – Tel: 0860 100 646, **Email:** afa@afadm.co.za

Netcare 911 Ambulance Services

Tel: 082 911

FRAUD Hotline - 0860 112 811



Email: fraud@medscheme.co.za

SMS: 33490 (R1.50)



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