

**MINUTES OF THE ANNUAL GENERAL MEETING OF MEMBERS OF
LA HEALTH MEDICAL SCHEME HELD IN THE QUTENIQUA ROOM, OUDTSHOORN
INN, OUDTSHOORN, ON THURSDAY, 18 JUNE 2015 AT 11H00**

PRESENT:

(i) LA Health Board of Trustees

Mr. G.J. Beukman	(Chairperson)
Mr. H.A. Deyssel	(Deputy Chairperson)
Mr. R. Barnard	
Mr. A. Bennett	
Mr. R. Bosman	
Mr. R. Denge	
Mr. R. de Bruyn	
Mr. R. Field	
Mr. S. Kaunda	
Mr. A. Lemmer	
Mr. P. Louwrens	
Mr. M.E. Mattheus	
Mr. M.C.T. Schultz	
Mr. A. Vorster	

(ii) LA Health Executive Management and Staff

Mr. A.M. de Koker	(Principal Officer)
Mr. L. Schröner	(Marketing and Operations Manager)
Ms. R. du Toit	(Personal Assistant to Principal Officer)
Ms. Y. Erasmus	(Public Relations/Liaison Officer)

(iii) Representative of the Administrator (Discovery Health)

Ms. D. du Toit	(Fund Manager)
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(iv) Members

A total of 25 members and 4 observers attended the meeting as per the attendance register.

(v) Apologies

Mr. D.L. Carstens	(Trustee)
Mr. F. Hoffman	(Trustee)

AGENDA

(Proceedings commenced with a MOMENT of REFLECTION observed by all)

1. WELCOME

The Chairperson of the Board of Trustees welcomed all in attendance and declared the meeting properly constituted since a quorum was in attendance.

The notice convening the Annual General Meeting was taken as read.

2. **MINUTES AGM 2014**

The Minutes of the 2014 AGM were issued to all members present, upon registration.

The Chairperson of the Board of Trustees called for a proposer and a seconder for the adoption of the Minutes of the 2014 Annual General Meeting as a true reflection of the relevant proceedings.

Proposer: Mr. A. Vorster

Seconder: Mr. M.C.T. Schultz

Resolved: That the minutes of the LA Health Medical Scheme Annual General Meeting, held on 18 June 2014, be **CONFIRMED**.

3. **Introduction of the Chairperson's Report**

The Chairperson of the Board of Trustees reminded the meeting that the Chairperson's Report for 2014 formed part of the Notice of this AGM, which was circulated to all members of the Scheme. The Chairperson's Report was taken as read.

At this juncture the Chairperson of the Board of Trustees announced the outcome of the Trustee elections for 2015. He pointed out to the meeting that LA Health Medical Scheme is one of the few medical schemes in the industry that follows a total democratic process, overseen by an Independent Auditor, to allow each member the opportunity to nominate and vote for candidates to represent them on the Board of Trustees.

Three existing Trustees, Danie Carstens, Reuben Denge and Sipho Kaunda, made themselves available for re-election, but unfortunately were not successful. The Chairperson of the Board of Trustees thanked them for their commitment and dedication, acting always in the best interest of the Scheme and its members over many years. He wished them all the very best for the future.

The Chairperson of the Board of Trustees congratulated and thanked the following Trustees who made themselves available for re-election and were successful:

- Riaan Barnard (Nelson Mandela Bay Metropolitan Municipality)
- Rudy de Bruyn (IMATU Northern Regions)
- Fred Hoffman (City of Cape Town)
- Pieter Louwrens (City of Johannesburg)
- Arno Vorster (City of Cape Town)

The Chairperson of the Board of Trustees extended a word of welcome to the following newly elected Trustees who will take office from 1 July 2015:

- John Cameron Allan (City of Johannesburg)
- Catherine Susan (Cathi) Botes (IMATU Eastern Cape Region)
- Hermanus Francois Botha (Mossel Bay Municipality)

The Chairperson of the Board of Trustees stated that the outcome of the election demonstrated that the current democratic process allows for continuity as well for new expertise and experience to be included in the Board of Trustees structure.

The full Board of Trustees with effect from 1 July 2015 is as follows:

- John Cameron Allan
- Riaan Barnard
- Alan Bennett
- Gawie Beukman
- Rudi Bosman
- Cathi Botes
- Herman Botha
- Rudy de Bruyn
- Tokkie Deysel
- Ron Field
- Fred Hoffman
- Andre Lemmer
- Pieter Louwrens
- Marius Mattheus
- Michael Schultz
- Arno Vorster

The Chairperson of the Board of Trustees paid tribute to the Deputy Chairperson of the Board of Trustees, Tokkie Deysel, for his support and encouragement throughout, as well as to his fellow Trustees, the Scheme's Management and Staff, the Scheme's Audit Committee, the Administrator and Staff, the Scheme's Actuaries and other Advisors for their sterling work always in the best interest of the Scheme and its membership.

Mr. H.A. Deysel, Deputy Chairperson of the Board of Trustees offered reciprocal appreciation to the Chairperson of the Board of Trustees for his stewardship.

The meeting observed a MINUTE of SILENCE in honour of Barnie Botha, the Scheme's beloved Legal Advisor, who was called to Higher Service at the beginning of this year.

The Chairperson of the Board of Trustees thereafter called on the Principal Officer, Mr. A.M. de Koker, to address the meeting.

The Principal Officer delivered a PowerPoint presentation and highlighted the following:

(a) Membership:

- (i) Local Government accredited medical schemes membership over the period 31 March 2009 to 31 March 2014;

- (ii) Local Government accredited medical schemes percentage member growth over the period 2010 to 2014;
 - (iii) Local government accredited medical schemes members' average age;
 - (iv) Local government accredited medical schemes comparison of average age – 2013;
 - (v) LA Health's market share within Local Government as at 31 March 2014. This confirms that LA Health is officially the largest accredited medical scheme within Local Government and
 - (vi) LA Health's membership per Option as at 31 December 2014.
- (b) Summary of Financial Performance
- (i) The Scheme ended the year with a surplus of just over R 165 million in 2014, whereas the surplus in 2013 was just over R 136 million. This improvement of the surplus was due to the following:
 - improved demographic profile of the Scheme due to membership growth;
 - Clinical risk management by the Scheme's Administrator;
 - Better tariffs negotiated with service providers; and
 - Cost saving initiatives by the Scheme.
 - (ii) The Scheme's non-healthcare expenditure increased from R 203 million in 2013 to R 233 million in 2014. This increase in expenditure is linked to membership growth.
 - (iii) The Scheme's cash position increased from R 698 million in 2013 to R 896 million in 2014 – a 28% improvement.
 - (iv) The income from investments for 2014 was R 35.8 million;
 - (v) In 2014 the Scheme paid R 8.1 million in interest on MSA balances;
 - (vi) Members' funds continued to show an increasing trend with reserves amounting to R 718 million at the end of the financial year.
 - (vii) The Scheme's solvency ratio had been maintained above the 25% level required by the Medical Schemes Act and stood at 35.09% at year end.
 - (viii) The Scheme was able to keep the 2014 non-healthcare costs per beneficiary at R 170 per beneficiary per month. This figure should have been R 229 per beneficiary per month based on an average CPI of 7% over the period 2006 to 2014.
 - (ix) All 5 Benefit Options showed an annual operating surplus in 2014.

(c) Vision

The Scheme's previous vision was *"To become the medical scheme of choice in Local Government"*. As stated earlier LA Health is the medical scheme of choice in Local Government. The Board of Trustees, at its Strategy Conference held during May 2015, adopted the following new Vision:

"To be the medical scheme of choice in Local Government, providing members with the most comprehensive benefits at the lowest cost ensuring the best quality healthcare and promoting a healthy lifestyle".

The Chairperson of the Board of Trustees called for a proposer and a seconder that the Chairperson's Report 2014 be noted.

Proposer: Mr. A. Lemmer
Seconder: Mr. R. de Bruyn

Resolved: That the Chairperson's Report: 2014 be **NOTED**.

4. **Audited Annual Financial Statements and Auditor's Report for the year ended 31 December 2014**

The Chairperson of the Board of Trustees reminded the meeting that a full set of the Audited Annual Financial Statements was available at the registration table, upon request.

The Chairperson of the Board of Trustees pointed out that earlier the meeting noted the Principal Officer's summary of the Scheme's financial performance. In the circumstances he called for a proposer and a seconder that the Audited Annual Financial Statements and Auditor's Report for the year ended 31 December 2014 be accepted.

Proposer: Mr. A. Vorster
Seconder: Mr. P. Louwrens

Resolved: That the Audited Annual Financial Statements and Auditor's Report for the year ended 31 December 2014, be **ACCEPTED**.

5. **BOARD OF TRUSTEES ANNUAL REPORT AS PROVIDED FOR IN SECTION 37(1) OF THE MEDICAL SCHEMES ACT**

The Chairperson of the Board of Trustees reminded the meeting that the Board's Annual Report formed part of the Audited Annual Financial Statements and called for a proposer and a seconder that such report be accepted.

Proposer: Mr. R. Field
Seconder: Mr. M.C.T. Schultz

Resolved: That the Annual Report of the Board of Trustees, be **ACCEPTED**.

6. **Announcement of re-appointment of Scheme's external auditors**

The Chairperson of the Board of Trustees announced that the Board of Trustees on 16 October 2014 adopted a recommendation from the Audit Committee that KPMG be re-appointed as the Scheme's external auditors for a further 3 years ending 31 December 2018.

NOTED

7. NOTICES OF MOTION

The meeting considered the following motions:

1. Motion from LA Health Board of Trustees

“AMENDMENT OF RULE 18.2.1

That Rule 18.2.1 of the Scheme’s Rules be amended to make provision for a Trustee to serve for a period of 6 years with effect from 1 July of the year in which an election is to be held, notwithstanding the date of election.

Motivation:

LA Health Medical Scheme is committed to the principles and practice of fair, openness, integrity and accountability in all dealings with its stakeholders and applies good governance principles through the adoption of King III.

The sheer scale of the responsibilities shouldered by the Trustees makes it imperative that they equip themselves with the required skills and knowledge to be able to discharge their obligation towards the Scheme’s members in the best possible manner. Not all new trustees will be experts in the field of medical scheme governance when they assume their positions. A three year term of office is not regarded sufficient enough time for such Trustees to familiarise themselves with, amongst other things, the Scheme’s business environment, strategic plans, risk management issues, regulatory compliance and medical scheme governance as well as the code of conduct.

A term of office of 6 years will also enable the Board of Trustees to ensure continuity amongst its ranks and afford it the opportunity to address the lack of transformation, skills and expertise that may exist on the Board of Trustees.

Furthermore, Trustees are elected by the Scheme’s principal members through a postal nomination and election process, as provided for in terms of the Scheme’s approved Rules. This is an extremely high cost exercise. In terms of Rule 18.2.2 of the Scheme’s Rules, fifty percent of the Board of Trustees shall retire from office on a rotational basis with effect from 30 June 2015. The effect of a 3 year term of office is that Trustee elections would have to be held every year and a half. Therefore changing such term of office to 6 years, will result in Trustee elections being held every 3 years. Not only will this hugely contribute to tremendous savings for the Scheme and its membership, but it will also play a role in driving down the Scheme’s administrative costs, as advocated to all medical schemes in the industry by the Council for Medical Schemes.”

Unanimously Resolved: That this motion be **ADOPTED** and be referred to the Board of Trustees for implementation.

2. Motion from LA Health Board of Trustees

TRUSTEE REMUNERATION POLICY

That the following Trustee Remuneration Policy be implemented

“1. Job Profiles of Chairpersons and Trustees

1.1 Role of Chairperson:

The role of the Chairperson is to provide leadership and direction to the Board of Trustees. The Chairperson's aim is to enable the Board of Trustees to fulfil its responsibilities for the overall governance and strategic direction of the Scheme. The Chairperson will ensure that the Scheme complies with its governing documents, Medical Schemes Act and any other relevant legislation or regulations and to make sure that the Scheme pursues its objects as defined in its governing documents.

The Chairperson's role is also to work in partnership with the Principal Officer to support the employees, helping them achieve the aims of the Scheme and also to optimise the relationship between the Board of Trustees and the staff.

1.2 Responsibilities of Chairperson:

In addition to the general responsibilities of a Trustee, the Chairperson has a number of tasks specific to his/her role:-

- Providing leadership for the Board of Trustees in its role of setting the strategy and policy of the Scheme;
- Planning the annual cycle of Board meetings and set the agendas;
- Chairing and facilitating the Board meetings;
- Giving directions to Board policy making;
- Monitoring that decisions taken at Board meetings are implemented;
- Representing the Scheme at appropriate events, meetings or functions;
- Acting as a spokesperson for the organisation where appropriate;
- Staff matters –
 - Liaising with chief executive / senior paid staff members to keep an overview of the Scheme's affairs and to provide support as appropriate;
 - Sitting on appointment panels as required;
 - Acting as final stage adjudicator for disciplinary and grievance procedures if required; and
- Attending and being a member of other committees or working groups.

1.3 Responsibilities of Deputy Chairperson:

The Deputy Chairperson assists the Chairperson to carry out his/her duties and deputises for the Chairperson, as necessary.

The main responsibilities of the Deputy Chairperson are:-

- Participate as a member of the Board of Trustees;
- Deputise for the Chairperson in meetings as needed;
- In the absence of the Chairperson, take primary responsibility for the functioning of the Board;
- Deputise for the Chairperson (or act as an alternate) as a spokesperson for the Board, as needed; and
- Undertake tasks as delegated by the Chairperson or requested by the Board.

1.4 Responsibilities of a Trustee:

All Trustees have the following general responsibilities:-

- Ensuring the Scheme applies its resources exclusively in pursuing its objectives;
- Contributing actively to the Board of Trustees' role in giving firm strategic direction to the Scheme, setting overall policy, defining goals, setting targets and evaluating performance against agreed targets;
- Safeguarding the good name and values of the Scheme;
- Declaring any conflict of interest while carrying out the duties of a Trustee;
- Being collectively responsible for the actions of the Scheme and other Trustees;
- Ensuring the effective and efficient administration of the Scheme;
- Ensuring the financial stability of the Scheme and the proper investment of the Scheme's funds;
- Protecting and managing the property of the Scheme;
- Attending meetings and reading Agendas in advance of meetings;
- Attending Sub-Committee/Task Group meetings as appropriate;
- Participating in other tasks as they arise from time to time; and
- Keeping informed about the activities of the Scheme and wider issues which affect the Medical Scheme Industry.

In addition to the duties of all Trustees, each Trustee should use any specific skills, knowledge or experience they have to help the Board of Trustees to reach sound decisions. This will involve scrutinising Board papers, leading discussions, focusing on key

issues, and providing advice and guidance requested by the Board on new initiatives or other issues relevant to the area of the Scheme's work in which the Trustee has special expertise.

2. Trustee Remuneration

Based on the proposals of an Independent Consultant the Schemes' Trustee remuneration with effect from 1 July 2015 to be as follows with the approval of the members at the AGM scheduled for 18 June 2015:

- Monthly Retainer:-

- Chairperson of the Board of Trustees	R 9,989.00
- Deputy Chairperson of the Board of Trustees	R 9,156.00
- Trustees	R 8,324.00

- Annual Increases:-

Future increases on 1 January each year be based on CPI + 2%

- Benchmarking:-

That the comparative remuneration of other medical schemes be monitored and benchmarking be done every two years in order that LA Health remains competitive, yet in line with comparator organisations.

3. Compensation

In addition to Trustee Remuneration, Trustees receive reimbursement of the cost of serving as a Trustee as per the Schemes approved Subsistence and Travel Allowance Policy. Compensation includes all amounts spent on travel, accommodation and other reimbursable expenses."

Motivation:

At the AGM held on 18 June 2008, the following motion was adopted:

'That in terms of the provisions of Rule 18.15 of the LA Health Rules as approved by the Registrar of Medical Schemes, approval be granted to the implementation of the following schedule of trustee honorarium with effect from 1 July 2008:

- Chair – Retainer R 6 000 per month
- Deputy Chair and Chairman Standing Committees – R 5 500 per month
- Trustee – R 5 000 per month

That the foregoing schedule of honorarium be subject to annual review on the basis of CPIX'

On 11 September 2014 the Council for Medical Schemes published guidelines for remuneration of medical schemes' trustees. Based on the requirements of these guidelines, the Board of Trustees of LA Health Medical Scheme appointed an independent consultant in October 2014, to perform a market comparison of the current remuneration practices.

The independent consultant presented the Board of Trustees with a report that examined the current remuneration practices tested against the Council for Medical Schemes Guidelines and recommendations from the King III report. The current remuneration policy was further compared with

eight other medical schemes with similar size and complexity. Relative remuneration earned by non-executive directors of AltX and JSE listed companies were also used as additional comparators.

At its meeting held on 25 February 2015, the Board of Trustees adopted the report presented by the independent consultant to ensure that Trustee remuneration remains competitive, yet in line with comparative organisations.”

Unanimously Resolved: That this motion be **ADOPTED.**

8. Vote of Thanks

The meeting **Unanimously Adopted** the following Vote of Thanks from Mr. Charlie Swanepoel, Member Number 158244510:

“VIR WIE DIT MAG AANGAAN

Vergun my in die eerste plek om ‘n woord van dank en waardering aan die Raad van Trustees van LA HEALTH oor te dra dat hulle juis Oudtshoorn gekies het om hierdie jaarvergadering te hou.

Ons is bevoorreg om die gasvryheid van Oudtshoorn en Klein Karoo met julle te deel.

Ek verstaan dat van die Trustees reeds die geleentheid gehad het om die wondergrotte te kan besigtig. Ja-nee, op Oudtshoorn moet jy maar ‘gatkrui’ om êrens te kom.

Ons dorp is in ‘n knyptang-greep van swak administrasie maar ons mense se positiewe optredes en vriendelikheid, maak dat julle weer sal wil kom kuier.

Mnr. Michael Schultz, baie dankie vir jou verbintenis met Oudtshoorn en jarelange positiewe bydrae en insette wat jy lewer tot uitbouing van LA HEALTH.

Aan die Hoofbestuurder, personeel en Trustees wil ek in die eerste plek baie dankie sê vir die uitbouing van ons Mediese Skema tot die sterkste Skema binne plaaslike owerhede in Suid Afrika, en nou selfs Bonitas Mediese Fonds uitstof!

Baie dankie aan ons Hoofbestuurder vir die insiggewende wyse waarop hy sy verslag aan die vergadering voorgelê het. Die gesonde wyse waarop ons skema bestuur word maak ons opreg dankbaar, wetende dat ons Mediese Skema in die regte hande is.

Mag die nuutverkose Trustees saam met die bestaande personeel en blywende Trustees ‘n hegte eenheid vorm om ons Skema tot nog hoër hoogtes uit te bou.

‘n Veilige en voorspoedige terugreis na julle onderskeie bestemmings word julle toegewens.”

THE MEETING CONCLUDED AT 11h30

CHAIRPERSON

DATE