

**ABRIDGED**  
ANNUAL INTEGRATED  
**REPORT**  
**2018**

# GEMS

## CREATIVE RATIONALE

The Fibonacci sequence is an iconic shape related to the golden ratio, a proportion that occurs frequently throughout the natural world and is applied across many areas of the human endeavour throughout history.

Both the Fibonacci sequence (shown on the cover in the circle on the golden ratio) and the golden ratio are used to guide design for architecture, among other things.

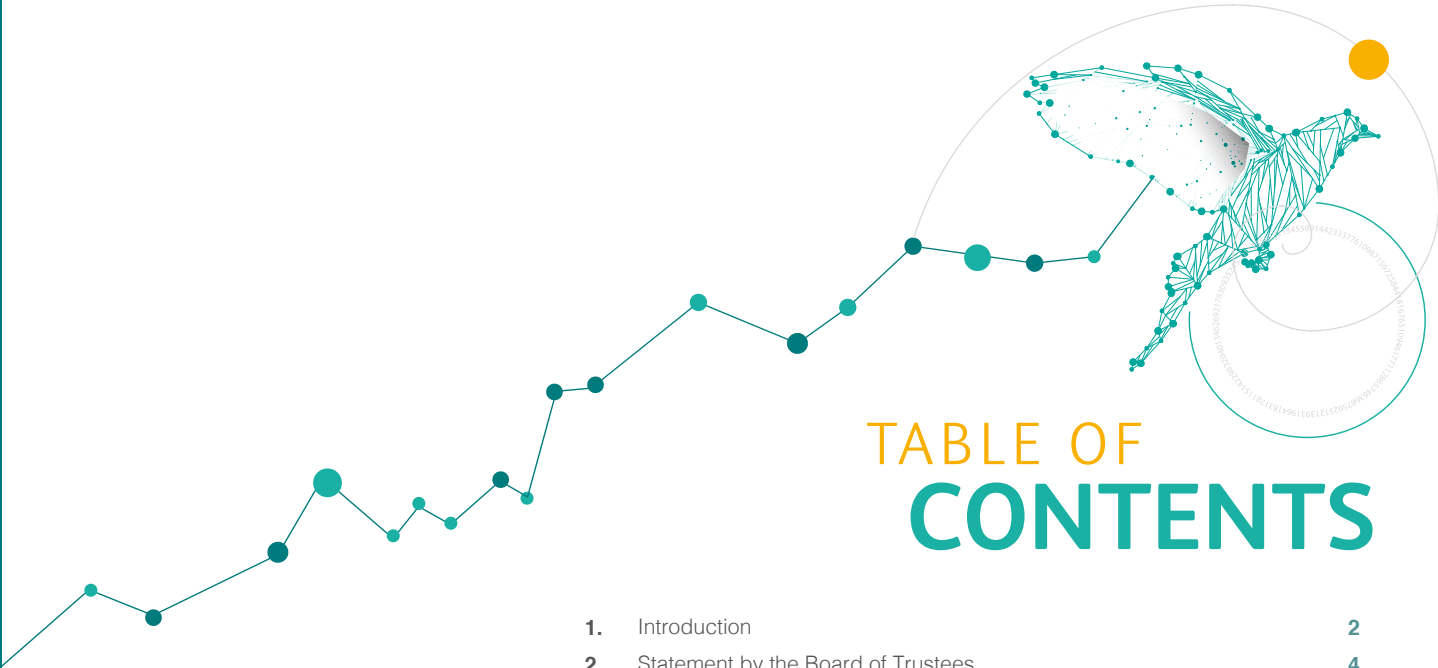
The shape of the sequence is steady and stable in the centre and grows outwardly. It is also predictable and plots a clear course forward with the set of numbers.

The graph peaking upward is a clear representation of GEMS' financial performance. Striving and moving upwards, representing growth.

The Fibonacci sequence is therefore the embodiment of both growth and stability.

The bird is a universal icon of freedom (freedom to grow) and strength (stability in flight). Birds can walk the earth and swim in the sea as humans do, but they also have the ability to soar into the sky. It is also consistently moving, always busy developing and working.

The bird displayed here shows take off, going into flight, representing growth and flying effortlessly towards stability. Birds have inspired humans throughout history with their ability to rise above.



## TABLE OF CONTENTS

1.	Introduction	2
2.	Statement by the Board of Trustees	4
3.	Overview by Chairperson	5
4.	Summarised Information	10
	a. Strategy	10
	b. Operating Model Developments	13
	c. Financial Performance	13
	d. Member Growth and Satisfaction	16
	e. Benefit Option for Employees earning on Salary level 1 to 5	19
5.	Summarised Annual Financial Statements	20
6.	Governance and Remuneration	24
7.	Report of the Audit Committee	60
8.	AGM Notice and Preliminary Agenda	64
9.	AGM Minutes and Action List	68
10.	Acronyms/abbreviations	88
11.	Other Information	90



# 1. INTRODUCTION

This Abridged GEMS 2018 Annual Integrated Report includes an overview of 2018 from the GEMS Chairperson. Summaries of the following aspects of the full GEMS 2018 Annual Integrated Report are also provided:

- The strategic direction of the Scheme;
- The GEMS operating model and developments;
- Important performance information on financial performance, member growth and member satisfaction;
- Information on how GEMS compares to the medical schemes market, and
- Progress made on the development of a benefit option for public service employees earning on salary levels 1 to 5.

The information above was selected because these matters are dealt with by the Public Service Coordinating Bargaining Council (PSCBC) Working Group appointed under PSCBC Resolution 4 of 2017 and 1 of 2018.

Information is also provided on the governance of GEMS in 2018 and the remuneration of Scheme officers, including trustees.

The information in this report is summarised and only selected information is provided. Members are encouraged to read the full report which, together with the full 2018 Annual Financial Statements, is available from:

- [www.gems.gov.za](http://www.gems.gov.za)
- Your Client Liaison Officers: [clo@gems.gov.za](mailto:clo@gems.gov.za)
- GEMS Call Centre: **0860 004 367**

Contact person for any questions on the report

- Call centre: **0860 000 4367**
- Member AGM-related questions: [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za). Subject: **2019 AGM agenda**
- Stakeholder questions: [Jeannie@gems.gov.za](mailto:Jeannie@gems.gov.za) for the attention of Jeannie Combrink
- Media questions: [media@gems.gov.za](mailto:media@gems.gov.za) for the attention of Baldwin Matsimela





## 2. STATEMENT BY THE BOARD OF TRUSTEES

The GEMS Board of Trustees acknowledges its responsibility to assure the integrity of GEMS' Annual Integrated Report.

The GEMS Board of Trustees has applied itself to the preparation and presentation of the GEMS 2018 Annual Integrated Report.

The development of the GEMS 2018 Annual Integrated Report was guided by GEMS' Integrated Reporting Framework adopted by the Board during 2016.



**Nkosinathi Theledi**  
Chairperson

Date: 29 April 2019



## 3. OVERVIEW BY CHAIRPERSON

*Nkosinathi Theledi*

*The Scheme completed the first phase of the current five-year strategic plan period and moved into the second phase during 2018.*

In 2016, when the reserve ratio was at an all-time low, the success of the Scheme's strategy rollout was premised on significantly improved financial results, and these were delivered. The 24.7% reserve ratio reached by December 2018 exceeded budget expectations significantly. The Scheme's financial position provides members, the Minister for the Public Service and Administration and the Scheme's key stakeholders with assurance that the Scheme is sustainable and able to meet its claims-paying obligations.

Looking after our financial performance only will not ensure a scheme that is sustainable over the long term and the Board is mindful of member and stakeholder expectations for **benefit availability and affordability, service excellence and member health outcomes**. These expectations found expression in collective agreements concluded at the Public Service Coordinating Bargaining Council (PSCBC), specifically Resolutions 4 of 2017 and 1 of 2018. The Board is very supportive of the PSCBC Working Committee and is pleased with the outcome of its work.

In its pursuit of affordability, the Board is pleased that the average weighed GEMS contribution increase for 2019 was 7.09% and was one of the lowest in the medical schemes industry for the year. In addition to the low increase, additional benefits for 2019 valued at R832 million were given back to members, specifically those in vulnerable groups, in line with the National Health Insurance (NHI) policy approach. To this end, members of the Sapphire option benefit from extended private

hospital care benefits, while a network extender benefit was made available to Emerald and Emerald Value members. Work remains to be done in benefit availability and affordability, service excellence and member health outcomes, and the second phase of the five-year strategic plan period is focused on these aspects.

A new programme called the Service Management Programme was introduced in 2018 to improve member experience and satisfaction. The programme is made up of 11 initiatives, including complaint management and initiatives to improve access to healthcare cover. The lower complaints ratio of 2018 and improvements in the Scheme's member enrolment process are early indications of progress in these areas.

The clinical outcomes of GEMS disease management programmes were benchmarked using Organisation for Health Quality Assessment benchmarks and GEMS compares very well to the South African medical schemes industry. The improved health outcomes of members in the Emerald Value option confirm that care coordination is essential for improving members' health. GEMS healthcare screening and prevention programmes reach many members and we are pleased with the increase in the number of screening tests for 2018.

Considering the obligations of GEMS and its role in society, considerations of corporate citizenship are integrated into decision-making. Environmental sustainability considerations are becoming increasingly important in view of environmental factors such as climate change and air and water pollution on health.

The Scheme bought an office building at Menlyn Maine Green Precinct in Tshwane and moved in during November 2018. The building has been designed as a 4-Green Star building, in terms of the Green Building Council of South Africa's requirements, and certification is nearing completion. This is a significant step forward for GEMS, in terms of both furthering our investment strategy to safeguard for members the financial health of GEMS and improving the Scheme's impact on the environment.

The outlook for the Scheme over the short- and medium-term is positive considering the results achieved in phase 1 of the strategic plan period and the early results of phase 2. Important developments in our external environment, specifically the planned consolidation of medical schemes towards NHI, will impact on the outlook. The consolidation process must be well-designed and rigorously executed to prevent an adverse impact on beneficiaries. The Board recommends an extensive stakeholder consultation process led by Government.

## INSPECTION BY THE COUNCIL FOR MEDICAL SCHEMES (CMS)

On 7 September 2017, the Scheme was advised of the CMS's intention to inspect it in terms of Section 44(4)(a) of the Medical Schemes Act (MSA).

The Scheme cooperated fully with the inspection and engaged the CMS on concerns. The draft inspection report was received in October 2018 and the Scheme responded formally. The final report is expected during 2019.

## ANNUAL GENERAL MEETING

The 2018 Annual General Meeting (AGM) was held on 31 July 2018 in Mbombela, Mpumalanga. The Board is appreciative of the hospitality shown to Scheme officers and the overall outcome of the meeting. An action list was compiled of issues and concerns raised by members who attended the meeting. The draft minutes of the AGM appear on page 68 of this report and a progress report on the action list on page 87.

## BOARD OF TRUSTEES

The former Minister for the Public Service and Administration notified the Scheme of the replacement of the former Board Chairperson and Deputy Chairperson in February 2018. Litigation continues between the former Chairperson and the Minister.

From November 2018, the Board underwent its biannual independent board effectiveness assessment. The assessment was conducted by an independent assessor, and initial indications are that the Board is operating effectively.

The Board also continues to monitor any conflicts of interest that may arise.

The Board was saddened to learn of the passing of two of its members, Daniel de Villiers in September 2018 and Corn Booyens in April 2019. Mr De Villiers served as the Chairperson of the Clinical Governance and Administration Committee, as well as a member of the Audit Committee. Mr Booyens served as the Chairperson of the Finance and Investment Committee as well as a member of the Human Resources and Remuneration Committee. Their valuable contribution will be sorely missed and we extend our sympathies to their spouses and families.

## BOARD COMPOSITION

Since 2010, a large body of work addressing Board composition concerns has been performed by the Scheme in line with the MSA. The issues include a lack of diversity among member-elected trustees and a request that seats on the Board be allocated to trade unions. In 2017, the PSCBC requested the Scheme to amend the GEMS Rules to enable the appointment of four trustees by the Unions in the PSCBC and the direct election of the remaining two trustees by principal members. This requirement was later confirmed in PSCBC Resolution 4 of 2017. To overcome the legal

barrier posed by Section 57(2) of the MSA, an exemption application was submitted to the CMS, which sought to achieve:

- the appointment of four trustees by PSCBC unions;
- the election of two trustees by members, and
- the prescription of equity targets in the GEMS Rules for elected trustees.

The Scheme was notified on 6 November 2017 that the CMS had declined the exemption application on the grounds that the Scheme's circumstances are not sufficiently exceptional to warrant an exemption from the MSA, that the current GEMS Board of Trustees is fully functional and that the Scheme is managed by persons deemed fit and proper. The Scheme resubmitted the application in December 2018 and will work with the PSCBC for a satisfactory outcome. In the interim, the terms of three member-elected trustees end in 2019 and a trustee election process has started.

## VOTE OF THANKS

*I thank the Minister for the Public Service and Administration, the Department for Public Service and Administration, the PSCBC and the leadership of the Unions admitted to the PSCBC, the National Department of Health and National Treasury for the constructive working relations enjoyed in 2018. We believe that the partnerships formed may ultimately contribute to achieving national health objectives.*

My thanks go, too, to Nontobeko Ntsinde, Chairperson of the Board until 5 February 2018, for her strong leadership and immeasurable contribution throughout her tenure at GEMS.

Nombulelo Mkhumane was Deputy Chairperson of the Board until 5 February 2018 and her contribution in steering the Scheme through various challenges is appreciated. She chaired the GEMS Finance and Investment Committee, under whose auspices the Scheme's investment performance has gone from strength to strength.

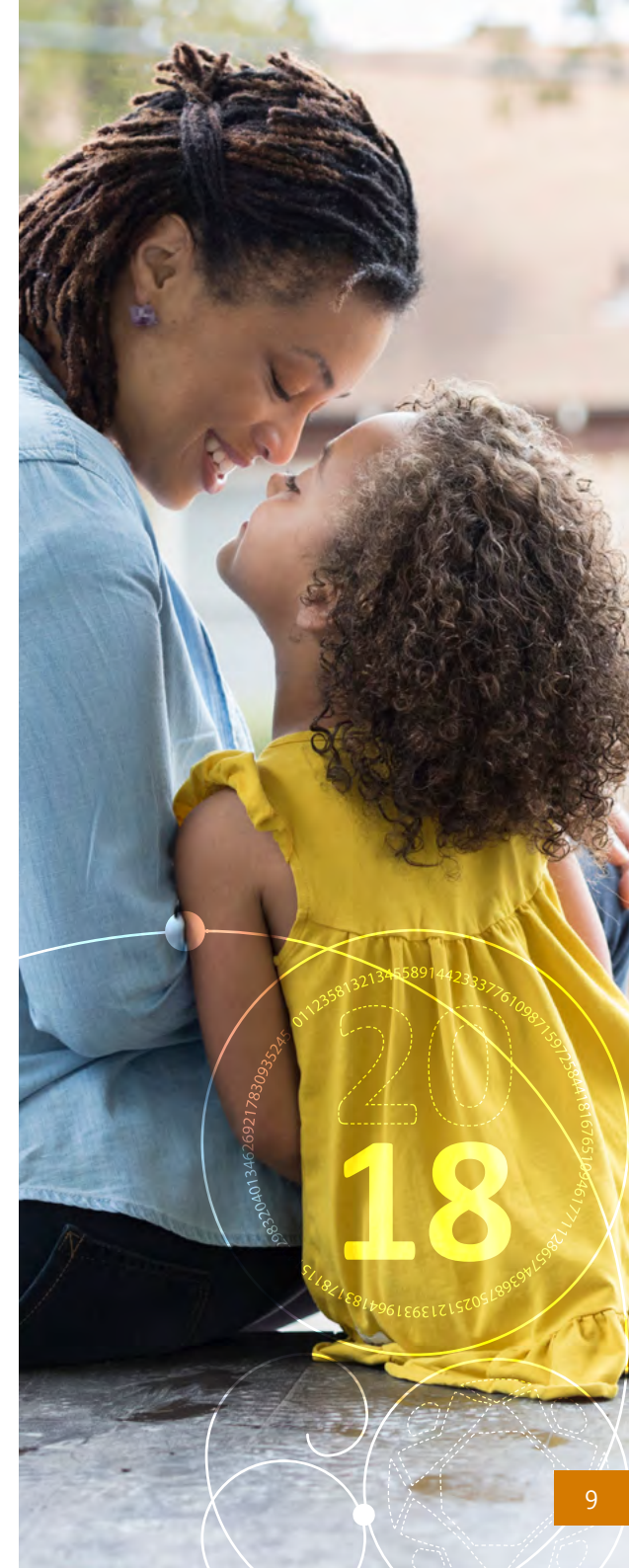
Trustees who served on the Board in 2018 were required to make complex decisions. They demonstrated their willingness to provide clear guidance and to address challenges decisively to protect the interests of all GEMS beneficiaries. The Board maintained a results-driven approach and exemplified ethical leadership. I thank you for your ongoing support in engaging stakeholders where Board-level engagement was needed.

My gratitude goes to Dr Millie Hlatshwayo, Dr Jopie Breed, Ms Michelle David and Dr Kobus van Zyl for chairing the Clinical Governance and Administration Committee, Risk Social and Ethics Committee, Dispute Committee and Human Resources and Remuneration Committee respectively during the review period. The Board also appreciates the leadership and valuable contribution to effective corporate governance provided by the Independent Chairperson of the GEMS Audit Committee, Mr Joe Lesejane.

The Board and Scheme continued to benefit from the advice and input from independent committee members who served on the GEMS Audit Committee and Dispute Committee. Their commitment, expertise and collective contribution to GEMS have been invaluable.

On behalf of the Board, thank you to Dr Gunvant (Guni) Goolab for leading the Scheme's executive management team in 2018, and for the excellent manner in which the new five-year strategy implementation was driven and the many challenges arising from the running of the largest restricted scheme were addressed.

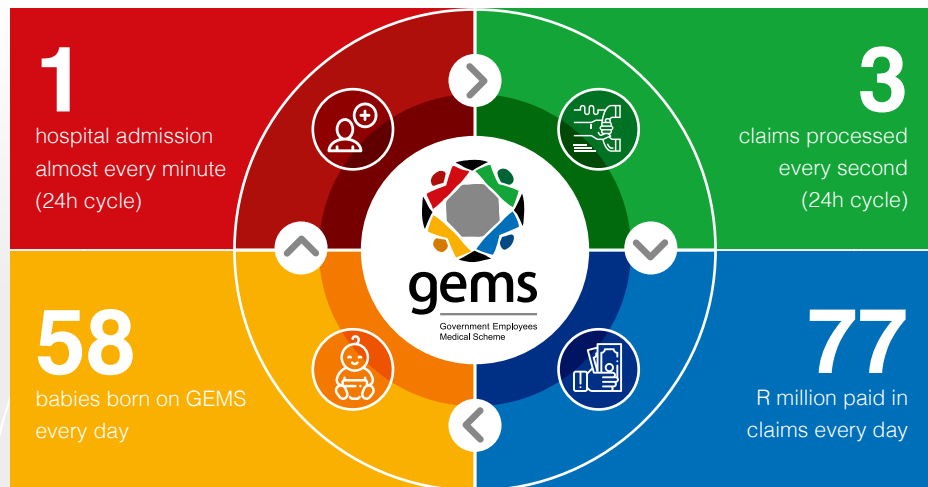
*The Board is pleased with the operational results achieved by the Scheme for the period ended 31 December 2018.*



## 4. SUMMARISED INFORMATION

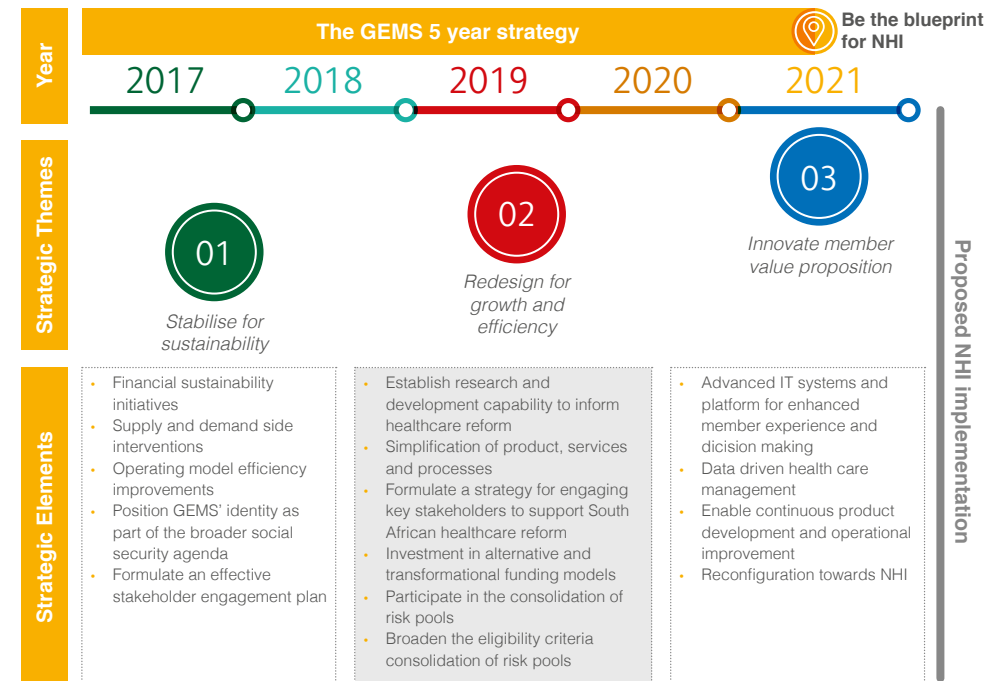
GEMS is the largest restricted membership medical scheme in South Africa:

A DAY IN THE LIFE OF GEMS IN 2018



### THE STRATEGIC DIRECTION OF THE SCHEME

On 5 December 2016, the Board approved a five-year strategic plan for 2017 to 2021. Aligned to government priorities, specifically those of the Minister for the Public Service and Administration, **improving affordability and access to quality healthcare for public service employees forms the heart of the strategy.** The main strategic objective is for GEMS to become the blueprint for NHI.





## IMPORTANT RESULTS AGAINST THE STRATEGIC PERFORMANCE INDICATORS IN 2018:

The overall strategic plan phase I theme, '**stabilise for sustainability**' was met through the Scheme's improved financial performance, strengthened stakeholder interaction in the PSCBC Working Committee and contribution to the social security agenda. Progress against key performance indicators:

**68%**

The Scheme's complaints to registered principal members ratio was **0.17%**, which was significantly ahead of the target of **≤0.25%**. In the annual member satisfaction survey, **68%** was achieved, which means that members were more positive than negative about their experience of GEMS, but not completely satisfied.

**24.7%**

The Scheme significantly exceeded the reserve ratio target to achieve a ratio of **24.7%**.

**R550 MILLION**

Investment returns were **R550 million**



**13.5%**

The target of **moving 30% of Emerald members to the Emerald Value sub-option**, namely to care coordination, was not met, with **13.5%** of members moving.



A **-1.6%** decrease in admission rate for **Top 6** chronic diseases was achieved in 2018, with improved health quality outcomes.

**1 860**



The Scheme contracted **1 860** specialists to the specialist network against a target of **1 800**.

**46.06%**

Some **46.06%** of public service employees on salary levels 1 to 5 were enrolled on GEMS compared to a target of **55%**.

## OPERATING MODEL DEVELOPMENTS

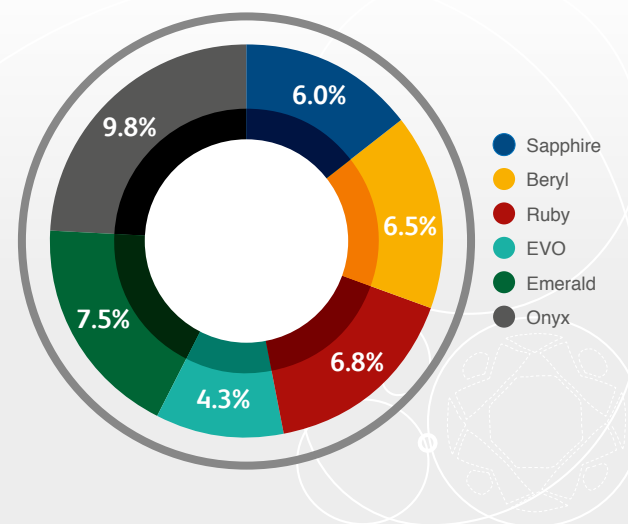
GEMS contracts with organisations such as administrators to provide member and other services. We are lowering our reliance on outside contractors in line with the five-year strategic plan. This new model was approved by the Board of Trustees, who also approved a strategy for building the internal capabilities of GEMS needed for the new operating model.

Functions that are already performed in-house include finance and internal audit. Divisions such as the Client Liaison Office (CLO) and the Information and Communications Technology (ICT) Division are gradually performing more work in-house. The ICT Division rolled out a new internally managed GEMS website and member communication channels such as the member app and member portal, which are hosted on the new GEMS website. Overall, the Scheme is building advanced information technology (IT) systems to enhance member experience.

## FINANCIAL PERFORMANCE

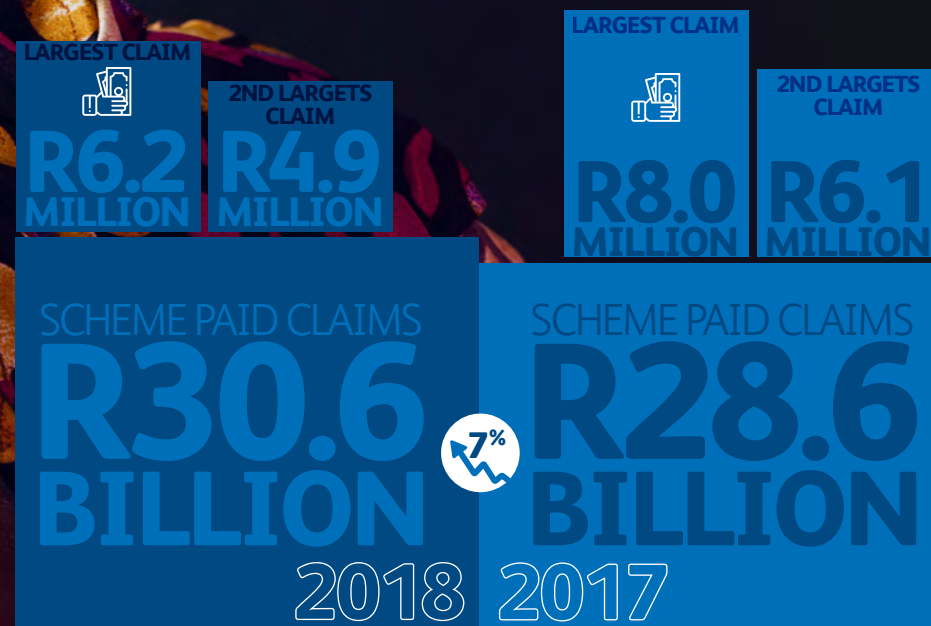
As a result of the exceptional 2018 financial performance, we were able to provide members with one of the lowest weighted contribution increases in the industry, at 7.09%, whilst adding significant benefit enhancements for members valued at R832 million.

The increase per option for 2019 before the subsidy is shown below:





AFTER THE  
SUBSIDY, **THE  
CONTRIBUTION  
INCREASE** FOR  
MEMBERS ON  
**THE EMERALD  
VALUE OPTION  
(EVO) WAS 0%.**



In 2018, the Scheme paid claims to the value of **R30.6 billion**, a **7%** increase from the **R28.6 billion** of 2017. The largest claim paid in 2018 was **R6.2 million** (2017: **R8 million**), while the second largest claim cost was **R4.9 million** (2017: **R6.1 million**).

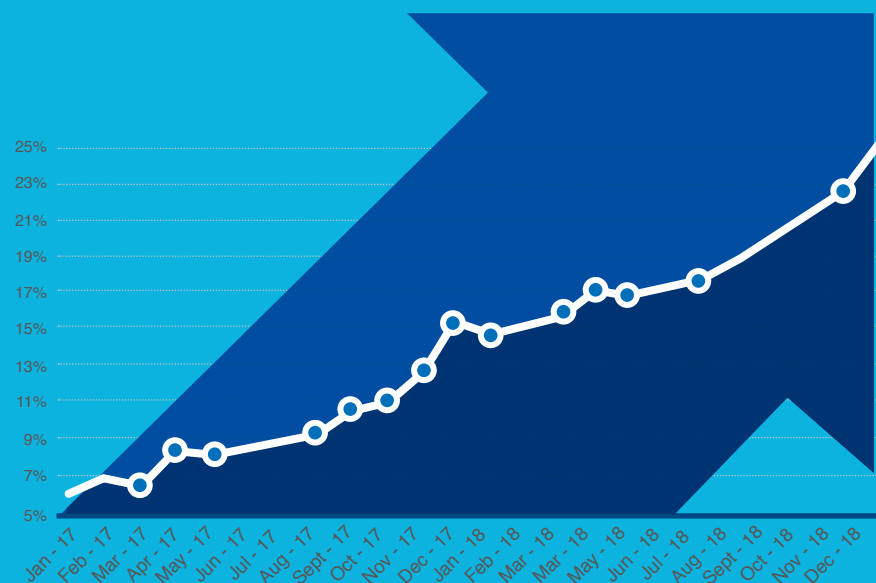
*The Scheme recorded a surplus of **R4 billion** for 2018 (2017: **R3.3 billion**).*



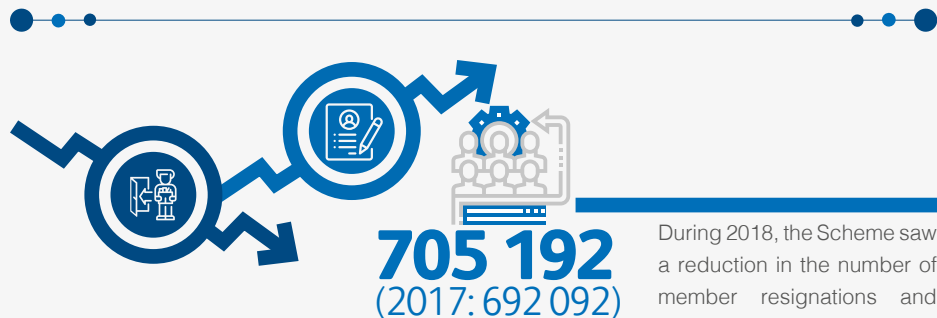
The reserve ratio of a medical scheme is calculated as a scheme's accumulated funds as a percentage of its annual gross contributions. GEMS started the year with reserves of **R5.4 billion** and, through the significant positive claims experience, built reserves and ended the year with reserves of **R9.5 billion**. The Scheme's investment income increased from **R262 million** in 2016 to **R550 million** in 2018.

The graph below shows the significant achievement reached by the Scheme to increase its reserve ratio from **6.08%** in January 2017 to **24.7%** at end-2018. The Scheme is now very close to the statutory required ratio in the MSA of **25%**, which it expects to reach in 2019.

#### RESERVE RATIO GROWTH



#### MEMBER GROWTH AND SATISFACTION



During 2018, the Scheme saw a reduction in the number of member resignations and an increase in membership applications, resulting in its highest membership figures since inception - **705 192** (2017: 692 092).



#### COMPLIMENTS INCREASED BY 125% IN 2018.

The number of complaints during the year decreased by **34%** compared to 2017. The complaints ratio is based on the number of complaints received as a percentage of principal members. During 2018, the ratio was **0.17%**, which is below the target of **0.25%** in the Scheme's strategic plan.










## HOW GEMS COMPARES TO OTHER MEDICAL SCHEMES

GEMS is currently the largest restricted membership scheme and the second largest medical scheme overall in South Africa. This provides the size and scale to negotiate competitive rates with service providers and healthcare providers such as hospitals.

The GEMS actuaries compared the GEMS options to similar options of other medical schemes.

The calculated value of GEMS options compared to competing options is shown below. It shows that, for example, GEMS Sapphire members, on average, enjoy a 97% higher benefit for each Rand spent on contributions (after allowing for the public service subsidy), than they would have experienced on competing options from other schemes:

Option	% difference between GEMS average family contribution and average family contribution of competing schemes before subsidy	% difference between GEMS average family contribution and average family contribution of competing schemes after subsidy
 Sapphire	<b>31%</b>	<b>97%</b>
 Beryl	<b>7%</b>	<b>63%</b>
 Ruby	<b>-2%</b>	<b>50%</b>
 Emerald	<b>36%</b>	<b>55%</b>
 Emerald Value	<b>33%</b>	<b>67%</b>
 Onyx	<b>21%</b>	<b>51%</b>
 All	<b>30%</b>	<b>57%</b>

## THE DEVELOPMENT OF A BENEFIT OPTION FOR PUBLIC SERVICE EMPLOYEES EARNING ON SALARY LEVELS 1 TO 5.

PSCBC Resolution 1 of 2018 provides for meaningful consultation in the PSCBC Working Committee on the development of a benefit product specifically for members earning on salary levels 1 to 5. This product must enhance medical cover on an ongoing and accessible basis. During August and September 2018, the PSCBC Working Committee discussed the GEMS benefit design, including changes to the Sapphire option and name. As a first phase, private hospital benefits for Sapphire members were increased from maternity benefits to access for children, women, the elderly and for mental illness. Three general surgical procedures in private hospitals are also covered for Sapphire members from 2019. Further changes are planned and a new name will be introduced for the 2020 financial year.

2018

# 5. SUMMARISED. ANNUAL FINANCIAL STATEMENTS

*The Scheme received an unqualified audit opinion, maintaining its 13-year track record of unqualified audit opinions.*

The financial information presented hereunder has been extracted from and is in agreement with the audited Annual Financial Statements of the Scheme for the 2018 financial year. The full financial statements are available from:

- The GEMS website: [www.gems.gov.za](http://www.gems.gov.za)
- E mail: [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za)
- The GEMS Call Centre: **0860 004 367**
- Your Client Liaison Officer: [clo@gems.gov.za](mailto:clo@gems.gov.za)

## Statement of Financial Position as at 31 December 2018

### ASSETS

#### NonCurrent Assets

Property & Equipment  
Intangible assets  
Financial assets at fair value through profit or loss

#### Current Assets

Financial assets at fair value through profit or loss  
Trade and other receivables  
Cash and cash equivalents

#### Total Assets

### FUNDS AND LIABILITIES

#### MEMBERS' FUNDS

Accumulated funds

#### LIABILITIES

#### Current Liabilities

Personal medical savings account liability  
Trade and other payables  
Outstanding risk claims provision  
Lease escalation reserve

#### Member funds and Liabilities

2018 R '000	2017 R '000
255,407	97,906
6,697	55,344
2,126,402	571,230
<b>2,408,506</b>	<b>724,480</b>
6,887,753	1,905,393
375,074	405,117
2,435,201	5,488,609
<b>9,698,028</b>	<b>7,799,119</b>
<b>12,106,534</b>	<b>8,523,599</b>
9,475,894	5,446,276
862,691	759,387
521,704	1,193,272
1,245,080	1,123,600
1,165	1,064
<b>2,630,640</b>	<b>3,077,323</b>
<b>12,106,534</b>	<b>8,523,599</b>

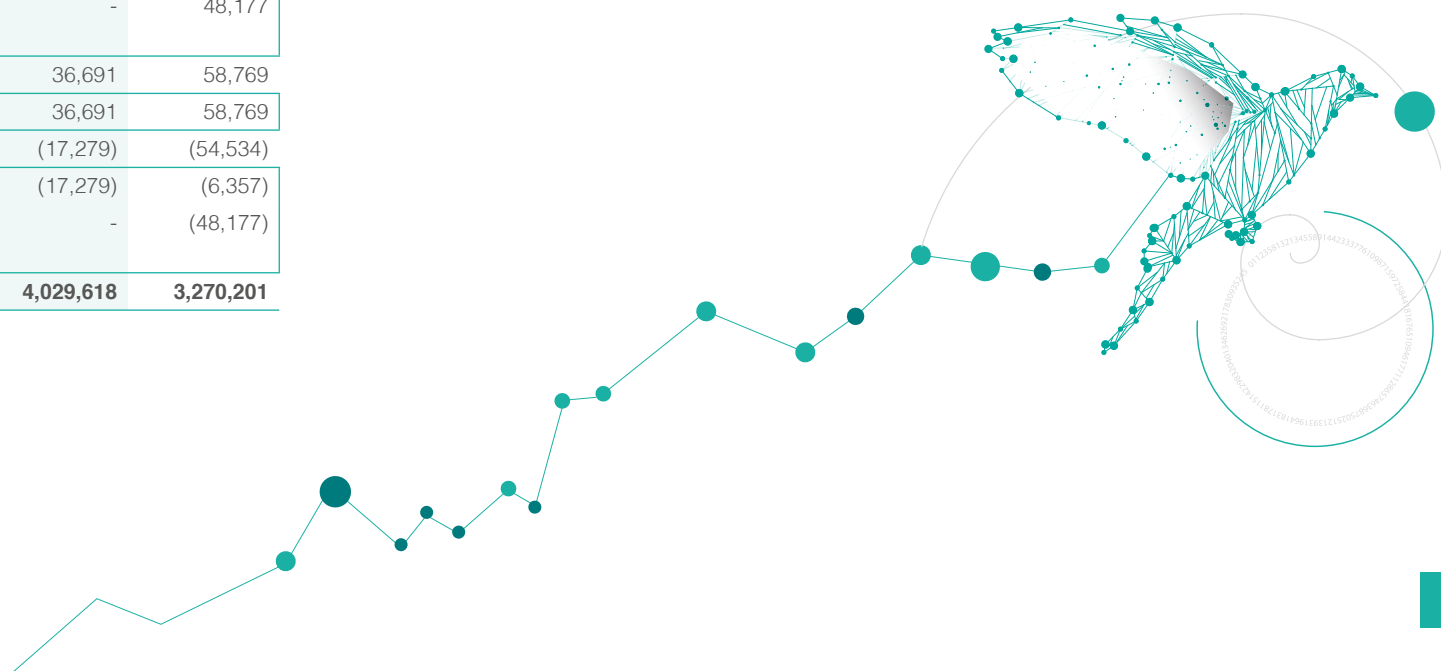


## Statement of Comprehensive Income

	2018 R '000	2017 R '000
<b>Risk contribution income</b>	37,354,261	34,703,985
<b>Relevant healthcare expenditure</b>	(32,002,171)	(29,844,481)
Risk claims incurred	(31,238,721)	(29,134,469)
Accredited managed healthcare services	(763,450)	(710,012)
<b>Gross healthcare result</b>	<b>5,352,090</b>	<b>4,859,504</b>
Administration expenditure	(1,680,189)	(1,782,952)
Marketing services	(124,669)	(121,718)
Impairment losses on healthcare receivables	(86,691)	(77,104)
<b>Net healthcare result</b>	<b>3,460,541</b>	<b>2,877,730</b>
<b>Investment income</b>	549,665	388,236
Dividends received	32,215	8,101
Interest received on financial assets at fair value through profit / (loss)	497,413	88,851
Net realised gain on financial assets at fair value through profit / (loss)	(19,616)	13,306
Net unrealised gain on financial assets at fair value through profit / (loss)	(60,488)	19,392
Interest received on cash and cash equivalents	100,141	210,409
Interest received on Personal medical savings account monies invested	-	48,177
<b>Other income</b>	36,691	58,769
Sundry income	36,691	58,769
<b>Other expenses</b>	(17,279)	(54,534)
Investment management fees	(17,279)	(6,357)
Interest allocated to members' personal medical savings accounts monies	-	(48,177)
<b>Total comprehensive surplus for the year</b>	<b>4,029,618</b>	<b>3,270,201</b>

## Statement of Changes in Equity

	Accumulated funds R '000	Member funds R '000
Balance at January 1, 2017	2,176,075	2,176,075
Total comprehensive surplus for the year	3,270,201	3,270,201
Balance at January 1, 2018	<b>5,446,276</b>	<b>5,446,276</b>
Total comprehensive surplus for the year	<b>4,029,618</b>	<b>4,029,618</b>
Balance at December 31, 2018	<b>9,475,894</b>	<b>9,475,894</b>



# 6. GOVERNANCE AND REMUNERATION

## STRUCTURES AND OFFICERS

The Board consists of 12 trustees made up as follows:

**50%**, i.e. six trustees elected by the members of the Scheme; and

**50%**, i.e. six trustees appointed by the Minister for the Public Service and Administration.

The GEMS Board of Trustees held 11 meetings during 2018 (12: 2017) as follows:

1. 23 January 2018 (Ad hoc meeting);
2. 16 February 2018 (Urgent meeting with the Minister for the Public Service and Administration)
3. 20 February 2018 (Urgent meeting focused on appointment of Chairperson and Deputy Chairperson);
4. 06 March 2018 (Quarterly meeting);
5. 25 April 2018 (Quarterly meeting);
6. 28 June 2018 (Interim meeting focused on the AGM);
7. 30 July 2018 (Quarterly meeting);
8. 19-20 September 2018 (Strategic planning meeting);
9. 21 September 2018 (Interim meeting focused on the Scheme's 2019 benefit and pricing submission to the CMS);
10. 08 November 2018 (Quarterly meeting); and
11. 4 December 2018 (Interim meeting focused on key approvals required for 2019).

The Board of Trustees also held two half-day workshops (2: 2017) and an AGM (1: 2017), as follows:

1. 05 June 2018 (CMS relationship building meeting);
2. 31 July 2018 (AGM); and
3. 07 November 2018 (Board risk identification and assessment workshop).

## STANDING COMMITTEE STRUCTURE AND RESPONSIBILITIES

*The Board of Trustees has established its own governance practices and standing committee structure that comply with governance and regulatory requirements. These committees fulfil key roles in ensuring good corporate governance.*

The Board reviewed the standing committee structure established at end-2017 in 2018 and it remained in place for 2019. The review was informed by:

- Statutory requirements.
- The King IV Report on Corporate Governance.
- The GEMS Strategic Plan Accountability and Strategic Oversight Framework.
- The GEMS operational structure.
- Cost effectiveness and value-for-money considerations

The committees listed below functioned until 31 December 2018 and were mandated by the Board of Trustees by means of written terms of reference as to their membership, authority and duties.

A standing committee responsibility matrix (RACI matrix) clarified and demarcated the standing committees' responsibility areas.

The standing committees meet at least quarterly, as indicated in the year planner approved for each year. Committee meetings are attended by Scheme management on invitation.

The committees in operation in 2018 were:

### Audit Committee

The Audit Committee is mandated by the Board of Trustees by means of a written Audit Committee Charter as to its membership, authority and duties. The committee's charter was reviewed and approved by the Board of Trustees on 4 December 2018.

The primary responsibilities of the Audit Committee include assisting the Board of Trustees in its evaluation of the adequacy and efficiency of internal control systems, accounting practices, financial reporting processes, financial and other reporting risks, information systems, oversight of assurance provided over external reports other than financial statements; and oversight of combined assurance processes applied by the Scheme and its SPN.

The Audit Committee considers and recommends the appointment of the external auditors, and monitors and reports on their independence. It is also responsible for the appointment,

performance assessment and/or dismissal of the Chief Audit Executive, approval of the Internal Audit Plan as well as the annual review and approval of the Internal Audit Charter.

### Committee composition, including members' qualifications and experience

The committee consisted of five members, two of whom were members of the Board of Trustees. The majority of the members, including the Chairperson, are not trustees, officers of the Scheme or of any of its service providers. For the year ended 31 December 2018, the committee members were:

Name	Designation	Qualifications	Recent work experience
JM Lesejane	Independent member, appointed with effect from 1 January 2018	Chartered Director South Africa (CD SA), CA (SA), Fellow Chartered Management Accountant (Global Management Accountant), BCom Hons Accounting Science, BCom Accountancy	Role in 2018: Independent Non-Executive Director, Consultant, Lecturer at Wits Business School
DJ de Villiers	Trustee, elected, appointed AC member from 1 January 2018 Deceased 19 September 2018	BA (Communication Science) (Potchefstroom University), Advanced Diploma in Labour Law (University of Johannesburg/RAU)	Retired Labour Relations Deputy Director: Department of Correctional Services
R Eksteen	Independent Committee Member, appointed with effect from 1 November 2015 and resigned on 1 October 2018	BCom Law, LLB, Masters in Development Finance, Certified Sustainability Assurance Practitioner, Intellectual Property Law Certificate	Role during 2018: Group Compliance Officer and Manager - Group Legal Services: Pioneer Food Group Ltd
RA Manoko	Trustee, appointed term began on 6 March 2018, appointed AC member from 28 June 2018	Gradum Baccalaurei Procurations, Gradum Baccalaurei Legum, Admitted Attorney, Corporate Governance, Commercial Law	Role during 2018: Founder and MD: Manoko & Associates Inc

Name	Designation	Qualifications	Recent work experience
NF Msiza	Independent committee member, appointed with effect from 1 April 2013 and reappointed for a second term with effect from 1 April 2016	Chartered Director South Africa (CD SA), BCom degree and Higher Diploma in Taxation and Masters in Business Administration	Role during 2018: Executive Director - Governance, Risk and Compliance: Raubex Group Limited Previous employers: <ul style="list-style-type: none"> <li>Group Chief Audit Executive: Denel</li> <li>Director: Risk, Assurance and Compliance – City Power</li> </ul>
MS Tonjeni (interim appointment to replace resigned member)	Independent committee member appointed on an interim basis from 1 October 2018 to 31 March 2019	CA (SA), BCom Accounting, BCom Hons Accounting, Mining Tax Graduate Diploma, Postgraduate Diploma in Banking, INSETA Programme	Role during 2018: Chief Executive Officer: Makole Group Previous employers <ul style="list-style-type: none"> <li>Financial Director: Consolidated Power Projects (Pty) Ltd – Johannesburg</li> <li>Principal Officer: Foskor Provident Fund</li> </ul>
Dr IJ Van Zyl (interim appointment to replace deceased member)	Trustee, term as interim Audit committee Member began on 27 October 2018	B Mil, Hons B Com (Personnel Management), MBA, PhD (Industrial Economics), Industrial Relations Development Programme	Most recent: Labour Consultant Previous employers: <ul style="list-style-type: none"> <li>Chief Consultant (Labour Relations): ArcelorMittal SA</li> <li>Chief Director (Labour Relations): Department of Labour</li> </ul>

The Audit Committee carried out its responsibilities in terms of the Board-approved Audit Committee Charter. The external auditors and internal auditors reported formally to the committee on critical findings arising from audit activities.

The Committee met on six occasions in 2018 (5: 2017) as follows:

1. 07 February 2018 (Quarterly meeting);
2. 14 March 2018 (Quarterly meeting);
3. 16 April 2018 (Special meeting);
4. 12 June 2018 (Special continuation meeting);
5. 11 July 2018 (Quarterly meeting); and
6. 27 October 2018 (Quarterly meeting).

The Principal Officer, the Chief Financial Officer, the Chief Audit Executive, the Scheme's outsourced internal auditors and the external auditors attend committee meetings on invitation and have unrestricted access to the Chairperson of the Audit Committee.

### Clinical Governance and Administration Committee

The primary responsibility of the committee is to assist the Board of Trustees to ensure the efficient operations of the Scheme by providing oversight, assessment and review of all administration aspects of the business. To this end, the committee assists the Board of Trustees in ensuring that seamless interaction takes place among service providers to meet the operational objectives of the Scheme. The committee also assists the Board in ensuring growth in Scheme membership and excellent member affairs by overseeing communication and marketing activities, stakeholder relations and the complaints management function. In addition, it:

- Assesses, decides and reports on the approval of ex-gratia applications and payments to members of the Scheme. The committee is mandated to approve ex-gratia payments of more than R50 000 and where the condition and the withholding of therapy is life threatening, the treatment will result in improved quality of life for the applicant, the treatment is clinically appropriate and based on internationally accepted evidence-based treatment guidelines and protocols, or the applicant has proven a financial inability to afford the treatment by any other means.
- Assists the Board in ensuring the implementation of the healthcare management strategic objective, namely 'To improve the Scheme's clinical risk profile and contain claims experience', and oversee the Scheme's product development and benefit design work.

The committee met over two days, every quarter, for a total of six meetings in 2018 (8: 2017) on:

1. 20 to 21 February 2018 (Quarterly meeting);
2. 17 to 18 April 2018 (Quarterly meeting);
3. 12 to 13 July 2018 (Quarterly meeting);
4. 14 August 2018 (Special meeting focused on the Scheme's 2019 benefit design);
5. 30 to 31 October 2018 (Quarterly meeting); and
6. 06 December 2018 (Ad hoc meeting to consider urgent procurement matter).

For the year ended 31 December 2018, the committee members were:

- Dr MS Hlatshwayo (trustee, appointed, tenure began 6 March 2018)
- DJ de Villiers (trustee, re-elected, tenure began 30 July 2013, deceased 19 September 2018)
- EB de Vries (trustee, elected, tenure began 30 July 2013)
- RA Manoko (trustee, appointed, tenure began 6 March 2018)
- ME Phophi (trustee, appointed, tenure began 19 September 2017)
- NL Theledi (trustee, appointed, tenure began 27 September 2013)

### Risk Social and Ethics Committee

The committee has been mandated by the Board of Trustees to ensure sound corporate governance by providing oversight, assessment and review of the risk management, ethics management and compliance management aspects of the Scheme. Its responsibilities include ensuring compliance with the MSA and its Regulations, patent and trademark legislation, and any other legislative framework relevant to the business of the Scheme.

The committee met on four occasions in 2018 (4: 2017):

1. 15 February 2018;
2. 10 April 2018;
3. 18 July 2018; and
4. 25 October 2018.

For the year ended 31 December 2018, the committee members were:

- Dr JA Breed (trustee, elected - Chairperson, tenure began July 2014)
- Dr MS Hlatshwayo (trustee, appointed, tenure began 6 March 2018)
- Dr ETC Moloko (trustee, appointed, tenure began 28 October 2016)
- Dr IJ van Zyl (trustee, elected, tenure began 30 July 2014)
- ME Phophi (trustee, appointed, tenure began 19 September 2017)
- JS Roux (trustee, re-elected, tenure began 30 July 2014)

### Finance and Investment Committee

The Finance and Investment Committee was set up by the Board in December 2013 and began its work in March 2014. Its primary responsibility is to assist the Board in fulfilling its oversight responsibilities of the Scheme's investment activities and consider issues arising from investment decisions and activities. It also monitors the Scheme's organisational and financial performance and provides oversight of contracting of service providers to render scheme services. It monitors cash flow position, investment performance and compliance to the regulatory framework applicable to medical scheme investments, and oversees the ICT function and the performance of the Scheme's contracted asset consultants and managers.



The committee met on eight occasions in 2018 (4: 2017)

1. 22 February 2018 (Quarterly meeting);
2. 05 March 2018 (Ad hoc meeting to consider urgent procurement matter);
3. 19 April 2018 (Quarterly meeting);
4. 06 June 2018 (Ad hoc meeting to consider urgent procurement matter)
5. 19 July 2018 (Quarterly meeting);
6. 16 August 2018 (Quarterly meeting);
7. 18 October 2018 (Quarterly meeting); and
8. 07 November 2018 (Ad hoc meeting to consider urgent procurement matter).

Committee members in 2018 were:

- CJ Booyens (trustee, elected, Chairperson, tenure began 30 July 2013, deceased 21 April 2019)
- Dr JA Breed (trustee, elected, tenure began July 2014)
- Dr ETC Moloko (trustee, appointed, tenure began 28 October 2016)
- JS Roux (trustee, re-elected, tenure began 30 July 2014)

### Dispute Committee

The primary responsibility of the committee is to independently consider and preside over any dispute referred to it for adjudication by the Principal Officer and to advise the Board of Trustees on the handling of disputes in general.

The Dispute Committee met on:

1. 12 February 2018 (Annual meeting);
2. 27 March 2018 (Ad hoc meeting); and
3. 11 September 2018 (Biannual meeting).

For the year ended 31 December 2018, the committee members were:

- M David (independent member, reappointed for second term with effect from 1 April 2016)
- Dr P Ford (independent member, reappointed for second term with effect from 1 April 2016)
- Rev F Chikane (independent member, appointed with effect from 1 August 2017)

### Human Resources and Remuneration Committee

The primary responsibility of this committee is to ensure sound people management of Scheme employees by providing oversight, assessment and review of the maintenance of human resources and remuneration policies of the Scheme. Its responsibilities include advising the Board on the annual cost of living adjustment for Scheme employees; the criteria to be used in benchmark exercises pertaining to annual remuneration surveys; the remuneration rates applicable to

employees, trustees and independent committee members; the implementation of remuneration survey results; the implementation of performance reward measures for employees and overseeing the disclosure of the remuneration of trustees, independent committee members and members of the GEMS Executive Committee in the Scheme's annual integrated report.

The Human Resources and Remuneration Committee met on six occasions in 2018 (5: 2017):

1. 06 February 2018 (Quarterly meeting);
2. 20 March 2018 (Ad hoc meeting);
3. 11 April 2018 (Quarterly meeting);
4. 10 July 2018 (Quarterly meeting);
5. 24 October 2018 (Quarterly meeting); and
6. 21 November 2018 (Special meeting).

For the year ended 31 December 2018, the committee members were:

- Dr IJ van Zyl (trustee, elected, chairperson, tenure began 30 July 2014)
- CJ Booyens (trustee, elected, began 30 July 2013, deceased 21 April 2019)
- EB de Vries (trustee, elected, tenure began 30 July 2013)
- NL Theledi (trustee, appointed, tenure began 27 September 2013)

In addition to the standing committees, the Board appointed one ad hoc committee in 2018 to formulate recommendations on specific matters:

### Benefit Design Committee

The GEMS Benefit Design Committee developed recommendations for the GEMS benefits and contributions for 2019 for the Board's consideration. The committee met twice (2: 2017) on the following dates:

- 22 August 2018, and
- 13 September 2018

Attendance of Benefit Design Committee meetings was open to all trustees and most trustees attended these meetings in 2018.

## GEMS TRUSTEES AND PRINCIPAL OFFICER: 2018 SUMMARISED ATTENDANCE REGISTER

The numbers reported for actual meetings attended is based on signing of attendance registers and minutes of meetings. The number of meetings that could have been attended takes into account the appointment and tenure expiry dates of the respective individuals. The numbers are calculated on pure attendance and tenure – irrespective of whether remunerated or not.

### A – Meetings attended

### B – Meetings that could be attended

	AGM	BOARD OF TRUSTEES MEETINGS		AUDIT COMMITTEEMEETINGS		BENEFIT DESIGN COMMITTEE MEETINGS		CLINICAL GOVERNANCE AND ADMINISTRATION COMMITTEEMEETINGS			DISPUTE COMMITTEEMEETINGS		RISK SOCIAL AND ETHICS COMMITTEEMEETINGS		FINANCE AND INVESTMENT COMMITTEEMEETINGS		HUMAN RESOURCES AND REMUNERATIONMEETINGS		TRAINING		WORKSHOPS		OTHER SCHEME ENGAGEMENTS	
TRUSTEE	AGM	A	B	A	B	A	B	A	B		A	B	A	B	A	B	A	B	A	B	A	B	A	B
Booyens, C (deceased)	1	11	11			2	2								8	8	5	6	14	-	1	-	1	-
Breed, J	1	11	11			2	2						4	4	8	8			10	-	1	-	1	-
De Villiers, D (deceased)	1	6	7			2	2	4	6										10	-	-	-	-	-
De Vries, EB	1	11	11			2	2	5.5	6								6	6	15	-	1	-	1	-
Hlatshwayo, MS	1	10	10	3	3	2	2	5	6				3	3	2	2	1	1	21	-	-	-	1	-
Manoko, RA	1	10	10	2	2	1	2	5	6				1	1	1	1	1	1	20	-	1	-	-	-
Mkhumane, NH		-	1																					
Moloko, C	1	11	11			2	2						4	4	7	8			18	-	1	-	1	-
Nkabinde, R	-	2	8	-	1	-	2	-	1				-	1	-	1	-	1		-	-	-	-	-
Ntsinde, NM		1	1																					
Phophi, E	1	1	11			1	2	4	6				4	4					10	-	-	-	-	-
Roux, S	1	11	11			2	2						4	4	8	8			15	-	1	-	-	-
Theledi, N	1	11	11			2	2	5	6								5	6	10	-	1	-	-	-
Van Zyl, K	1	11	11	5	5	2	2						4	4			6	6	9	-	1	-	1	-
Goolab, G (Principal Officer)	1	10	11	6	6	2	2	5	6		3	3	4	5	5	8	6	6	19	-	1	-	1	-

GEMS INDEPENDENT COMMITTEE MEMBERS' ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

A – Meetings attended  
B – Meetings that could be attended

	AGM	BOARD OF TRUSTEES MEETINGS		AUDIT COMMITTEEMEETINGS		BENEFIT DESIGN COMMITTEEMEETINGS		CLINICAL GOVERNANCE AND ADMINISTRATION COMMITTEEMEETINGS			DISPUTE COMMITTEE MEETING		RISK SOCIAL AND ETHICS COMMITTEEMEETINGS		FINANCE AND INVESTMENT COMMITTEEMEETINGS		HUMAN RESOURCES AND REMUNERATION COMMITTEE MEETING		TRAINING		WORKSHOPS		OTHER SCHEME ENGAGEMENTS	
Member	AGM	A	B	A	B	A	B	A	B		A	B	A	B	A	B	A	B	A	B				
David, M											3	3												
Eksteen, R				3	5																			
Ford, P																								
Lesejane, JM	1	7	7	6	6														6	-	1	-	1	-
Msiza, F	1										3	3												
Chikane, F											3	3												



## BOARD OF TRUSTEES:

The Trustees in office in 2018 were:






Name	Elected or appointed		Qualifications	Other significant positions held during 2018
<b>CJ Booyens</b> (25 February 1942) (Deceased)	Elected, tenure began 30 July 2013 and ends 29 July 2019		BSc (University of Pretoria); THOD Teaching Diploma (Pretoria Teacher Training College)	Trustee: Government Employees Pension Fund (GEPF)
<b>Dr JA Breed</b> (14 March 1951)	Elected, tenure began 30 July and ends 29 July 2020		BSc (Potchefstroom University - PU for the Council for Higher Education - CHE), THOD (POK) BEd (PU for CHE), MEd (PU for CHE), PhD (North West University)	N/A
<b>DJ de Villiers</b> (21 July 1955) (Deceased)	Elected, tenure began 30 July 2013 and ends 29 July 2019		BA (Communication Science) (PU); Advanced Diploma: Labour Law (University of Johannesburg/Rand Afrikaans University)	N/A
<b>EB de Vries</b> (21 July 1943)	Elected, tenure began 30 July 2013 and ends 29 July 2019		BEd (Port Elizabeth University); BA (Stellenbosch University); Secondary Teacher's Cert (Stellenbosch University)	N/A







Name	Elected or appointed		Qualifications	Other significant positions held during 2018
<b>Dr SM Hlatshwayo</b> (9 January 1964)	Appointed, tenure began 20 February 2018 and ends 19 February 2024		BSc (Medunsa); MB ChB (Medunsa)	Casualty Doctor: Arwyp Private and OR Tambo Travel Clinic
<b>Dr ECT Moloko</b> (16 May 1959)	Appointed 28 October 2016; tenure ends 27 October 2022		MB ChB (Medunsa) BSc (Med), Medunsa)	Chairperson: Health and Welfare Sector Education and Training Authority (HWSETA)
<b>RA Manoko</b> (6 June 1966)	Appointed, tenure began 20 February 2018 and ends 19 February 2024		BProc (1989) (University of the North); LLB (University of the North)	Founder and MD: Manoko & Associates Inc, Attorney
<b>Mpfariseni Phophi</b> (6 October 1952)	Appointed, tenure began 26 Sept 2017 and ends 25 Sept 2023		BA (Human Resource Management); International Labour Organisation (ILO) Course on Labour Relations and Performance Management in the Public Service; ILO Course on Advanced Negotiations Skills	Chief Negotiator for the State as Employer Chairperson on National Labour Relations Forum for the Public Service Chairperson of the State as Employer in the Public Service Coordinating Bargaining Council
<b>MR Nkabinde</b> (11 May 1984)	Appointed, tenure began 20 February 2018 and ended 21 September 2018		Information and System Management Certificate	ANCYL National Treasurer (Treasurer General)

	Name	Elected or appointed		Qualifications	Other significant positions held during 2018
	<b>Dr IJ van Zyl</b> (31 January 1951)	Elected, tenure began 30 July 2014 and ends 29 July 2020		B Mil, Hons, B Com (Personnel Management), MBA, PhD (Industrial Economics), Industrial Relations Development Programme	N/A
	<b>NL Theledi</b> (30 June 1963)	Appointed 9 September 2013, tenure ends 8 September 2019		B Tech (Tshwane University of Technology - TUT); ND Human Resource (University of Johannesburg); Public Management and Development (Wits Graduate School of Public and Management); MTech (TUT)	Secretary General: POPCRU
	<b>JS Roux</b> (08 January 1944)	Elected, tenure began 30 July 2014, ends 29 July 2020		BSc; LSTD; BEd Stellenbosch University)	N/A
	<b>Ms NM Ntsinde</b> (21 December 1957)	Appointed, 30 July 2013. Tenure ended 5 February 2018		(B. Proc (Univ. of Fort Hare); MBA (Wits Business School)	University of KwaZulu-Natal Council Member
	<b>Ms NH Mkhumane</b> (03 June 1973)	Appointed 25 September 2014. Tenure ended 5 February 2018		Dip. Law & Tax., IEIC (CIMA), Exec. Mgt. Dev. Prog. (WBS), Capital Proj. Mgt. Appraisal (Queens Univ. Canada), Bachelor of Commerce (UNISWA) Certificates: Board Leadership (GIBS), Corp. Gov., Audit Roles, Supply Chain Mgt. & Prop. & Asset Mgt.	Chairman: South African Diamond and Precious Metals Regulator

Note: Trustees' qualifications are verified by the Scheme's annual vetting procedure.





Back row (from left to right): Mr EB de Vries, Mr RA Manoko, Mr EM Phophi, Mr JS Roux, Dr ECT Moloko.  
Front row (from left to right): Dr U van Zyl, Dr SM Hlatshwayo (Deputy Chairperson), Mr NL Theledi (Chairperson), Dr JA Breed.



Back row (from left to right): Ms Gloria Nkadineng, Mr Samuel Lewatle, Mr Molapo Masekoameng, Mr Evan Theys, Dr Vuyo Gqola, Ms Jeannie Combrink  
Front row (from left to right): Ms Veni Singh, Dr Stan Moloabi, Dr Guni Goolab (PO), Ms Karyna Pierce

## 2018 REMUNERATION REPORT

*The Board resolved on 28 February 2017 to adopt the King IV Report on Corporate Governance with effect from 1 January 2018.*

The Scheme has a dedicated Board committee for overseeing remuneration, inclusive of trustee and independent committee members' remuneration, remuneration of executives and general staff, and related matters. Information on the mandate, composition and attendance of meetings held by the Human Resources and Remuneration Committee in 2018 is provided on page 30 of the report.

The key factors that influenced remuneration decisions during 2018:

- The financial performance of the Scheme has had an influence on the performance management process and, in turn, employee performance bonuses for senior management employees.
- The current economic climate continues to play a key role in determining annual remuneration adjustments, as this has an influence during salary benchmarking processes. The consumer price index (CPI), the salary market and salary benchmarking also had an impact, as these factors are taken into consideration when determining annual remuneration adjustments.
- The responsibility of the Board to ensure that remuneration is fair, equitable and justifiable found expression in the approval of salary increases based on a sliding scale for general staff, senior managers and executive managers.
- The Board of Trustees remained considerate of views expressed by the members and stakeholders of GEMS on trustee remuneration.

The key focus areas and key decisions of the Human Resources and Remuneration Committee in 2018 were:

- Review of executive remuneration in line with the new top structure.
- Determination of 2019 annual salary adjustments for GEMS employees.
- Overseeing the revision of the GEMS Performance Management Policy for employees.
- An amendment to enhance the GEMS employee performance rewards structure as part of attracting and retaining talent.
- Review of trustee and independent committee member meeting fees.

Future focuses include a comprehensive revision of the Trustee and Independent Committee Member Remuneration Policy to ensure that the basis for calculating fees remains fair, equitable and justifiable.

The GEMS Employee Remuneration Policy was revised in 2015 and the new policy was approved by the Board of Trustees on 8 December 2015 for implementation on 1 January 2016. No changes were made to the policy in 2018.

Remuneration consultants were used in the remuneration benchmark analyses of general staff, senior managers, executive managers and the Principal Officer under the auspices of the Human Resources and Remuneration Committee in 2018. The committee approved the terms of reference of the organisation appointed to perform the remuneration benchmark analyses. This organisation is experienced in this area and the committee was satisfied with their independence and objectivity.

## EMPLOYEE REMUNERATION

### Meeting the stated remuneration policy objectives:

The GEMS Employee Remuneration Policy has met its stated policy objectives in that it supports the Scheme's commitment to attracting and retaining highly skilled talent. The total reward packages and benefits offered contributed to attracting and retaining key talent. This can be seen from the low staff turnover rate of 8.2% for the 2018 financial year. The GEMS performance management process further entrenches this commitment as the Scheme continues to reward high performers in the organisation.

### Future areas of focus:

The GEMS Employee Remuneration Policy continues to evolve as the Scheme seeks to ensure that employees are paid according to market standards, while remaining cognisant of the economic environment. The success of the new GEMS five-year strategic plan is dependent on the Scheme's ability to attract and retain highly skilled talent. GEMS strives to be an employer of choice and the policy is under review to ensure that it optimally supports the implementation of the strategic plan. Key future areas of focus are pay structuring and the review of pay scales.

### Overview of GEMS Employee Remuneration Policy

The Board of Trustees determines the remuneration and reward structures of GEMS employees in keeping with the provisions of the GEMS Employee Remuneration Policy, and ensures that employees are appropriately compensated. The Board adopted a remuneration philosophy and strategy in 2013, which reflects its commitment to attracting and retaining highly skilled, high-performing employees that enable the Scheme to maintain and improve on its performance. The remuneration philosophy is aligned to the Scheme's business strategy, objectives, values and to achieving long-term sustainability. The GEMS Employee Remuneration Policy is also aligned to the remuneration philosophy and strategy.



GEMS is committed to developing, implementing and upholding remuneration strategies and practices that support the vision, mission, values and strategic objectives of the Scheme, while pursuing the best interests of GEMS. The Scheme seeks to ensure that remuneration is fair, equitable and justifiable.

In determining appropriate remuneration for each staff member, all posts are graded based on the requirements of the position. The grading is used during the annual staff remuneration benchmarking exercise to determine if the remuneration for each position is in line with benchmarked levels. The results of the annual benchmarking exercise are considered by the Human Resources and Remuneration Committee for recommendation to the Board.

Remuneration is provided to employees in guaranteed and variable pay. Guaranteed remuneration includes basic salary and benefits, while variable remuneration is aligned to the achievement of business objectives and individual performance.

GEMS' targeted pay level for employees is up to the 50<sup>th</sup> percentile of the benchmark used for employees who meet the required qualifications, experience and other job requirements. Where necessary, for strategic reasons, the Scheme may provide a remuneration package above the 50<sup>th</sup> percentile. As part of continuing to focus on talent attraction and retention, executive-level employees are remunerated up to the 60<sup>th</sup> percentile. To this end, the Principal Officer, with the approval of the Board of Trustees, may offer a package that is above the targeted pay ranges to a candidate considered to be of strategic importance to GEMS, or who has scarce or critical skills.

The Scheme aims to attract, retain and motivate executives of the highest calibre, and aligning their remuneration with member interests and best practice. The Scheme rewards executives for their contribution to strategic, operational and financial performance and ensures that remuneration is conducive to developing and retaining top talent and critical skills. A decision was taken by the Board on 31 October 2017 to convert the employment contracts of GEMS executives to fixed-term contracts of five years.

The Principal Officer's remuneration package is determined by the Board of Trustees with consideration to the Scheme's financial performance, the Principal Officer's role and responsibilities, and the strategic imperatives of the appointment. The package may not exceed the remuneration packages attached to the upper quartile.

With effect from 1 January 2014, employees contribute to a compulsory retirement and risk arrangement in the form of a provident fund. Employees are allowed to choose their contribution rate on a scale of 5%, 6% or 7.5%. The employer matches the rate. Under this arrangement, employees also have funeral cover, group income protection and group life cover. A medical assistance subsidy was introduced from 1 August 2015 for GEMS employees. The medical assistance subsidy is adjusted on 1 January each year in accordance with medical price inflation.

## The GEMS performance framework and measures:

To assess the achievement of strategic objectives and positive outcomes, the Scheme uses a standardised and integrated three-tiered performance management system. A standardised balanced scorecard is used to measure performance in four areas, namely:

- Internal business performance;
- Customer/stakeholder management performance;
- Financial performance, and
- Learning and growth.

The GEMS balanced scorecard is a key performance management tool to measure outputs and results against key performance indicators that are linked to the GEMS strategic objectives.

The system ensures that performance is measured holistically at three organisational levels, i.e. scheme level, divisional level and individual employee level as follows:

- The Principal Officer's performance is measured on the achievement of the Scheme Strategic Plan.
- Executives are measured on the achievement of divisional business plans aligned to the Scheme Strategic Plan.
- Employees below executives are measured on their job profiles and the achievement of operational business plans that are aligned to divisional business plans.

Annual employee performance contracting and assessment are done on the basis of performance scorecards of key performance areas and competencies. Key performance areas are aligned to the Scheme's strategic objectives and competencies are based on occupational levels. The allocation of weightings for key performance areas and competencies is depicted below:

Level of management	Key performance areas	Core/managerial competencies	Total weight in % of 100
Principal Officer	60%	40%	100
Executives	70%	30%	100
Senior management	80%	20%	100
Other employees	90%	10%	100

The allocation of weightings will be adjusted in 2019 and 10% will be allocated to measure employees' performance in relation to the Scheme's values.

We strive to improve employee contribution to the Scheme's performance by linking rewards and recognition with performance management outputs. Employees are eligible and considered for performance rewards in recognition of sustained performance that is significantly above

expectations. For the Principal Officer and executives, the awarding of performance bonuses is dependent on the achievement of a minimum individual performance rating, an unqualified audit report, a surplus and a complaints ratio approved by the Board.

An illustration of the potential consequences on the total remuneration for executive management of applying the GEMS Performance Management Policy under minimum, on-target and maximum performance outcomes appears below:

Performance bonus percentage	0%	10%	30%
Total, including annual remuneration	<b>R24 802 520</b>	<b>R27 282 772</b>	<b>R32 243 276</b>

### Remuneration benchmarks

GEMS, as with other organisations, strives to attract and retain key talent, thereby driving forward business strategy with the right people. The risk of losing key talent is high in most organisations. Variations in pay is one of the key determinants in retaining or losing key individuals. It is not possible for organisations to determine if pay practices are aligned with those of other organisations if a benchmarking exercise is not completed. The need for benchmarking, therefore, becomes important in identifying pay practices in the market and aligning those to the GEMS pay practices. The GEMS benchmarking process is conducted against the healthcare, financial and national industries as our products and services compare well to these.

Executive remuneration in 2018:

	Annual earnings	Bonus	Total remuneration 2018	Total remuneration 2017
Jeannie Combrink	R2 213 182	R 442 516	R 2 655 698	R2 097 234
Guni Goolab	R4 656 049	R 1 164 012	R 5 820 061	R4 434 333
Vuyokazi Gqola	R2 377 406	R 487 349	R 2 864 755	R2 084 730
Sam Lewatle	R2 276 358	R 474 811	R 2 751 169	R1 879 870
Molapo Masekoameng	R1 839 739	R 462 185	R 2 301 924	R1 727 662
Gloria Nkademeng	R2 028 428	R 414 963	R 2 443 391	R1 790 777
Karyna Pierce	R3 130 070	R 626 014	R 3 756 084	R2 966 891
Michael Willie*	R1 432 985	n/a	R 1 432 985	n/a
Evan Theys**	R1 484 597	R 222 690	R 1 707 287	n/a
Ayanda Vilakazi***	R345 802	n/a	R 345 802	n/a
Stanley Moloabi****	R2 100 000	R 420 000	R 2 520 000	n/a
Veni Singh****	R297 526	n/a	R297 526	n/a
<b>Total</b>	<b>R24 182 141</b>	<b>R 4 714 539</b>	<b>R 28 896 680</b>	<b>R16 981 497</b>

- \* Pro-rata salary – commenced February 2018 – Resigned December 2018
- \*\* Pro-rata salary – commenced February 2018
- \*\*\* Pro-rata salary – commenced March 2018 – Resigned April 2018
- \*\*\*\* Pro-rata salary – commenced June 2018
- \*\*\*\*\* Pro-rata salary – commenced November 2018

### Compliance statement

The Scheme complied with its approved Employee Remuneration Policy in 2018 and no deviations were reported.

The GEMS Performance Management Policy is still being implemented. The Scheme complied with the components of the policy that have been implemented and no deviations were reported.

## TRUSTEE REMUNERATION

### Overview of GEMS Trustee and Independent Committee Member Remuneration Policy

Trustees and independent committee members are remunerated for attendance of Board of Trustees meetings and meetings of committees of the Board. They may also be reimbursed for costs incurred in travelling and subsistence in the performance of their obligations. The Scheme commissions independent remuneration surveys to ensure that remuneration paid is commensurate with the fiduciary obligations assumed by trustees and the expertise of trustees and independent committee members.

Trustees and independent committee members are remunerated for preparation for and attendance of meetings. They are not remunerated for the following:

- Meetings not attended;
- Participating in the Scheme's annual Board effectiveness assessment;
- Attendance of training sessions;
- Attendance of Scheme events where trustees are not required to perform work, and
- Attendance of member and stakeholder information and communication sessions such as lekgotlas.

Trustees and independent committee members are paid a fixed daily meeting fee for quarterly and interim meetings, which is based on an average meeting duration time of six hours and 12 hours' preparation time. Trustees are paid a reduced daily meeting fee for attendance of ad hoc meetings.

For meetings with the Minister for the Public Service and Administration and stakeholders, the fixed meeting fee is not applied. To remunerate trustees for attending such meetings, the fixed meeting

fee is converted to an hourly fee and remuneration is calculated as follows: Number of hours in meeting plus one hour's preparation for each hour spent in the meeting.

Trustees receive a monthly stipend to cover expenses such as stationery, telephone and internet fees.

The remuneration of the Chairperson of the Board and chairpersons of the committees (including the independent chairpersons of the Audit Committee and the Dispute Committee) is calculated as the trustee fixed daily meeting fee x 1.5.

The GEMS Trustee and Independent Committee Member Remuneration Policy was reviewed by the Board in 2017.

Remuneration benchmarks

Trustee remuneration benchmarking is conducted using the comparisons of remuneration from at least 10 of the largest closed and open medical schemes in the industry.

The fixed daily meeting fee of trustees was increased for the first time since 2014 through a Board decision taken on 5 December 2017. An inflationary increase of 5% was implemented with effect from 1 January 2018.

Trustee remuneration 2018

The remuneration paid in 2018 per trustee is shown from page 56. Meeting fees, travel and accommodation costs, training costs and other disbursements are disclosed separately per trustee in accordance with Regulation 6A of the Regulations of the MSA, 1998, as amended.

The total amount of trustee remuneration paid in 2018 was R7 278 000, representing a decrease of 16.6% compared to 2017. Of the total amount paid in 2018, R5 779 000 (79%) was paid in meeting fees and the monthly stipend. The balance represents travel and accommodation costs related to the attendance of meetings and fees paid to trainers.

GEMS trustees undertook additional duties voluntarily during 2018 to represent the Scheme at important stakeholder events, to support Scheme management in important meetings with key stakeholders such as unions, the large hospital groups and the board members of some of the Scheme's contracted administrators. Board members also attended meetings with the CMS and the forensic investigators appointed to conduct the various tender and forensic investigations.

Trustees attended the Scheme's corporate social investment (CSI) events scheduled to coincide with the AGM and symposium. Trustees did not receive remuneration for these obligations, representing an estimated cost saving to the Scheme of R1 226 100 in 2018.

In 2018, trustee fees expressed as a percentage of contributions was 0.02% and expressed as a percentage of the Scheme's non-healthcare costs, 0.38%.

The GEMS Board of Trustees and the committees meet frequently to ensure effective oversight of the Scheme. These meetings are convened to:

- Meet the Scheme's statutory obligations;
- Adhere to corporate governance standards;
- Address matters related to the Scheme's business model and requirements;
- Guide Scheme management in stakeholder engagements considering the Scheme's complex stakeholder relations environment.

The close oversight maintained by the Board is an important factor in the Scheme's continued financial and operational performance, as evidenced by its track record of unqualified audits, sound procurement processes, responsiveness to member concerns and sound stakeholder relationships.

A further explanation on the number of meetings held is to provide members with a view on the statutory obligations fulfilled and the value derived from the meetings.

Board meetings

Board meetings: At least eight meetings are required each year to meet the requirements below:	
Legal requirements	<ul style="list-style-type: none"><li>• Four quarterly meetings, in March, April, July and November, to review performance for the previous quarter in keeping with the registered GEMS Rules. The Board also disposes of other business requirements at the quarterly meetings, such as approving the Scheme's audited Annual Financial Statements.</li><li>• An interim meeting in June to approve the AGM agenda as required by the registered GEMS Rules. The Board also disposes of other business requirements at the June meeting.</li><li>• An interim meeting in September to finalise benefit design and pricing for submission to the CMS in keeping with regulated timeframes. The Board also disposes of other business requirements at the September meeting.</li></ul>

Business requirements	<ul style="list-style-type: none"> <li>• A two-day strategic planning meeting in September.</li> </ul>
	<ul style="list-style-type: none"> <li>• An interim meeting in December to finalise the annual revision of the standing committees' terms of reference, charters and composition, the revision of Principal Officer delegations, employees' salary adjustments for the following year and operational mandates required by the Scheme.</li> </ul>
	<ul style="list-style-type: none"> <li>• In trustee election years, two additional meetings are required to approve election procedures and to receive the election reports required in keeping with the GEMS Rules.</li> </ul>
	<ul style="list-style-type: none"> <li>• Tender adjudication meetings are scheduled to coincide with existing scheduled meetings.</li> </ul>
	<ul style="list-style-type: none"> <li>• Special (ad hoc) meetings are scheduled from time to time to deal with urgent matters.</li> </ul>

### Committee meetings

In 2018, the Board of Trustees was supported by six standing committees as described on pages 25 to 31 of the report. The committees provided for in the Scheme's standing committee structure are necessary to comply with legal requirements, good corporate governance standards and business requirements, as shown below:

Legal requirements and King IV Report:	
Audit Committee	Section 36 of the MSA, King IV Principle 51
Dispute Committee	Section 29(j) of the MSA, GEMS Rule 30
Human Resources and Remuneration Committee	King IV Report, Principle 8, Practice 65

Business requirements and good corporate governance standards	
Committee	Value creation
Audit Committee	The Audit Committee supported the Board in ensuring that the Scheme's control environment is sound. It oversaw the work performed by the Scheme's assurance structures and played an important role in protecting the interests of the Scheme's beneficiaries.

Business requirements and good corporate governance standards	
Committee	Value creation
Clinical Governance and Administration Committee	The committee met every eight weeks in 2018 and meetings took place over two days due to the high case load. The work performed by this committee contributed significantly to value creation for members. In 2018, ex-gratia payments to the value of R16.7 million were approved by the committee. The committee assisted the Board by guiding and overseeing the development of the Scheme's strategic plan and by maintaining close oversight of the Scheme's services, procurement and contracting functions. The committee monitored the Scheme's operational performance and the member communication, stakeholder management, compliments and complaints management. The committee's close oversight was instrumental in maintaining the Scheme's low non-healthcare costs. The committee in collaboration with the Finance and Investment Committee, also oversaw the implementation of the Scheme's strategic plan healthcare management objectives and the development of product development and benefit design for 2019.
Dispute Committee	The Dispute Committee supported the Board in ensuring that the Scheme's dispute resolution process is sound and applied consistently and correctly. The Dispute Committee also plays a valuable role in ensuring that persons referring disputes for adjudication are treated fairly and equitably.
Risk Social and Ethics Committee	The committee met quarterly to oversee the Scheme's legal function, risk management function, ethics performance, compliance to the regulatory framework and rule review processes. The existence of this committee is in line with King IV.

Business requirements and good corporate governance standards	
Committee	Value creation
Finance and Investment Committee	The effectiveness of the Scheme's investment strategy has a significant impact on its financial and investments performance. The committee met quarterly to review the Scheme's investment activities, compliance to the MSA and investment performance. This included the investment performance of members' personal medical savings account funds. The committee, with the Clinical Governance and Administration Committee, assisted the Board by guiding and overseeing the development of the Scheme's strategic plan and by maintaining close oversight of the Scheme's services, procurement and contracting functions. The committee also reviewed the implementation of the Scheme's Supply Chain Management Policy and monitored its impact on the Scheme and the society in which the Scheme operates. The committee also monitored the Scheme's financial and operational performance.
Human Resources and Remuneration Committee	The Human Resources and Remuneration Committee assisted the Board in ensuring that the Scheme's remuneration, human resources policies and practices are fair, responsible and transparent. It ensured that the Board's human capital, human resources and remuneration matters are informed by objective and independent reviews.

Five of the Committees, i.e. the Audit Committee, the Risk Social and Ethics Committee, the Finance and Investment Committee, the Clinical Governance and Administration Committee and the Human Resources and Remuneration Committee, met quarterly to review performance in the quarter and to formulate recommendations for the Board's consideration. In addition, the Audit Committee, Finance and Investment Committee and the Human Resources and Remuneration Committee each conducted one additional meeting for purposes such as the finalisation of the Scheme's Annual Financial Statements and developing recommendations to the Board on annual remuneration adjustments. The Clinical Governance and Administration Committee met quarterly over two days to consider member ex-gratia applications from R50 000 and above. The Dispute Committee meets at least twice per year, with additional meetings dependent on member disputes and other urgent business.

In summary, the value realised over time by the Scheme's corporate governance structure and practices is:

- A sophisticated ex-gratia system to assist members in need;
- A 13-year track record of unqualified audits;
- The lowest non-healthcare costs in the industry;
- A unique business model and supply chain management policy that supports B-BBEE;
- A rigorous procurement system that supports the successful execution of the Scheme's business model;
- A rigorous strategic planning process;
- Corporate governance systems and processes that are in line with best practice; and
- A stakeholder-inclusive approach that contributes to the Scheme's sustainability over time.

#### Travel and accommodation expenditure


Five of the 12 trustees did not live in Gauteng and, therefore, travel and accommodation costs were incurred to attend meetings at the Scheme's head office:

- CJ Booyens
- Dr JA Breed
- EB de Vries
- JS Roux
- Dr IJ van Zyl

Board trustees are also remunerated for incidental expenditure relating to the performance of their duties and a fixed stipend of R1 600 per month was paid in 2018.



## TRUSTEE REMUNERATION PAID IN 2018

	Appointed or member elected	Attendance fees		Travel and accommodation			Reimbursement and allowances		Training (fees paid to trainers)		Total	
		2018	2017	2018	2017		2018	2017	2018	2017	2018	2017
		R'000	R'000	R'000	R'000		R'000	R'000	R'000	R'000	R'000	R'000
DJ de Villiers Deceased	Elected	416	711	22	60		-	1	11	7	449	779
JS Roux Re-elected July 2014 – term expires 29 July 2020	Elected	454	658	275	367		11	15	14	9	754	1 049
NL Theledi (Chairperson) Reappointed September 2013 – term expires 26 September 2019	Appointed	649	478	126	74		5	7	11	7	791	566
CJ Booyens Deceased	Elected	528	641	39	91		29	24	11	3	607	759
EB de Vries Elected July 2013 – term expires 29 July 2019	Elected	557	443	324	325		16	16	28	16	925	800
NM Ntsinde Term ended 5 February 2018	Appointed	35	924	14	91		2	12	1	12	52	1 039
Dr CM Mini Appointed July 2014 – resigned 15 December 2017	Appointed	2	845	-	73		2	27	-	7	4	952
Dr JA Breed Elected July 2014 – term expires 29 July 2020	Elected	518	523	59	122		21	27	12	1	610	673
Dr IJ van Zyl Elected July 2014 – term expires 29 July 2020	Elected	594	502	216	111		24	32	19	16	853	661
NH Mkhumane Term ended 5 February 2018	Appointed	11	535	-	70		2	3	-	12	13	620

	Appointed or member elected	Attendance fees		Travel and accommodation			Reimbursement and allowances		Training (fees paid to trainers)		Total	
		2018	2017	2018	2017		2018	2017	2018	2017	2018	2017
		R'000	R'000	R'000	R'000		R'000	R'000	R'000	R'000	R'000	R'000
EM Phophi	Appointed	284	252	36	18		-	3	12	10	332	283
Appointed 26 September 2017 – term expires 25 September 2023												
Dr ET Moloko	Appointed	472	448	46	74		9	9	21	16	548	547
Appointed 28 October 2016 – term expires 27 October 2022												
Dr SM Hlatshwayo (Deputy Chairperson)	Appointed	594	-	72	-		7	-	21	-	694	-
Appointed 18 February 2018 – term expires 19 February 2024												
RA Manoko	Appointed	489	-	64	-		20	-	34	-	607	-
Appointed 18 February 2018 – term expires 19 February 2024												
MR Nkabinde	Appointed	28	-	-	-		-	-	11	-	39	-
Removed by the Board – 21 September 2018												
<b>Total</b>		<b>5 631</b>	<b>6 960</b>	<b>1 293</b>	<b>1 476</b>		<b>148</b>	<b>176</b>	<b>206</b>	<b>116</b>	<b>7 278</b>	<b>8 728</b>



# 7. REPORT OF THE AUDIT COMMITTEE

*We are pleased to present our report for the financial year ended 31 December 2018.*

The mandate of the Audit Committee requires it to adhere to high-quality standards of corporate accountability, to oversee the quality of the financial reporting process and control systems, and to maintain a high degree of integrity in both the external and internal audit processes.

The Committee has reviewed the Annual Integrated Report and considered all factors that may impact on the integrity of the report. The scheme's external auditor reviewed the disclosure of sustainability issues raised in the report to confirm that it is reliable and does not conflict with the financial information contained in the report.

## SIGNIFICANT MATTERS CONSIDERED IN RELATION TO THE ANNUAL FINANCIAL STATEMENTS

The going concern basis has been adopted in preparing the Annual Financial Statements. Based on the forecasts and available cash resources, the Audit Committee has no reason to believe that the Scheme will not be a going concern in the foreseeable future. These Annual Financial Statements support the viability of the Scheme.

We have reviewed and discussed with the external auditor and management the audited 2018 Annual Financial Statements, and we are of the view that they comply, in all material respects, with the MSA, No 131 of 1998, and International Financial Reporting Standards. The committee received assurance that sound financial controls are in place and that the fraud and ICT risks as they relate to financial reporting have been adequately addressed.

## EXTERNAL AUDITOR INDEPENDENCE AND QUALITY

The committee was involved in the appointment of the external auditor and following the committee's assessment of the auditor, we were satisfied that the auditor is independent of the Scheme as set out in Section 36(3) of the MSA, No 131 of 1998, as amended. Furthermore, the committee approved the external auditor's engagement letter, audit plan and budgeted fees for the year ended 31 December 2018. The Scheme maintains the Non-Audit Services and Consulting

Services Policy, which describes prohibited services by the external audit and those requiring prior approval of the Audit Committee. We are satisfied that other than the Audit Committee-approved limited assurance of selected key performance indicators included in this integrated report, the Scheme's external auditor has not performed any prohibited work for the 2018 financial year. Both the Scheme's audit firms (Deloitte & Touche and OMA Chartered Accountants) and the designated external audit partner have only provided external audit services to the Scheme since 2016 and, as such, partner rotation was not deemed necessary for the period under review. Requisite assurance was sought and provided by the auditor that internal governance processes in the audit firm support and demonstrate its claim to independence.

## EFFECTIVENESS OF THE CHIEF AUDIT EXECUTIVE AND ARRANGEMENTS FOR INTERNAL AUDIT

The Scheme's Chief Audit Executive reports functionally to the Audit Committee and administratively to the Principal Officer. Internal Audit forms an integral part of the Scheme's risk management process and system of internal control, and leads the combined assurance coordination within the Scheme. The Internal Audit function has an appropriate and formal charter, which was approved by the Audit Committee. We are satisfied that the Internal Audit function of the Scheme is independent and has the relevant skills and resources to perform its duties. In addition to utilisation of in-house resources to deliver on the Internal Audit mandate, the Scheme's Internal Audit division is supplemented by specialists from the panel of Internal Audit service providers where required. Internal Audit has provided quarterly reporting to the Audit Committee on assurance results and progress against its strategic objectives.

## DESIGN AND IMPLEMENTATION OF INTERNAL FINANCIAL CONTROLS

The Scheme's Internal Audit function performed a review of the design and operating effectiveness of internal financial controls and the overall conclusion of the audit was that 'some improvements are required', with the overall objectives of the controls tested being achieved. Controls tested by Internal Audit did not identify any failures that led to material financial errors or losses, fraud and corruption. Based on this assurance by Internal Audit, we are satisfied that the finances and system of internal control are appropriately managed. Furthermore, the external auditors have issued an unqualified opinion that the 2018 Annual Financial Statements are a fair reflection of the Scheme's activities and accounting practices have been applied appropriately. International Standard on Assurance Engagements (ISAE) 3402 – assurance reports issued by service auditors at the Scheme's administrators were received and their findings considered.

## KEY AREAS OF FOCUS DURING THE REPORTING PERIOD

Timely remediation of Internal Audit findings continues to be an area of concern, with the matter having been escalated to the Board of Trustees and receiving attention from the Scheme's Principal



Officer. The committee receives reports from Internal Audit on the implementation progress of forensic investigation (stemming from the 2017 tender investigations) recommendations by management.

## EFFECTIVENESS OF THE CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

The committee has reviewed the expertise, resources and experience of the Scheme's finance function and believes that the Chief Financial Officer and other relevant finance staff have the required competence and skills. Financial reporting has been of a high standard throughout the financial year as evidenced by an unqualified external audit opinion.

## COMBINED ASSURANCE

The Scheme's Chief Audit Executive is charged with the responsibility for leading the Scheme's combined assurance model. GEMS' assurance providers coordinated during the period under review included external providers such as Internal Audit functions of the Scheme's SPN. Plans and reports received by the Audit Committee for the financial year provided a view of combined assurance coverage from various assurance providers and results stemming from such assurance were presented to the Audit Committee, with any areas recommended for remediation noted and monitored for closure. Based on Internal Audit submissions, the Audit Committee is satisfied with the effectiveness of combined assurance arrangements in place.

## CONCLUSION

The committee has recommended the Annual Financial Statements to the Board of Trustees for approval and these will be presented to the members at the forthcoming Annual General Meeting. We are satisfied that the committee has fulfilled its responsibilities in accordance with its charter for the reporting period. The committee wishes to thank the Board of Trustees for its support.



**Joe Lesejane**  
Chairperson Audit Committee

Date: 29 April 2019



# 8. AGM NOTICE AND PRELIMINARY AGENDA

## Information as required by the Act, Regulations and GEMS' rules

Notice is hereby given that the 13<sup>th</sup> Annual General Meeting ("the meeting") of the Members of the Government Employees Medical Scheme ("GEMS") will be held at the Mmabatho Palms, Mahikeng, North West Province on 31 July 2019 at 15h00.

Please note that registration will commence at 13h00

The preliminary agenda is below:

<b>AGENDA</b> <b>13<sup>th</sup> GEMS Annual General Meeting</b> <b>31 July 2019, 15h00</b>	
Item	Speaker
1) Opening and Welcome	Chairperson
2) Announcement of Agenda as finalised in accordance with GEMS Rules 28.1.5.1 to 28.1.5.6	Chairperson
3) Opening remarks by Chairperson followed by a presentation by the Principal Officer on the business of the Scheme for the financial year ended 31 December 2018	Chairperson Principal Officer
4) Matters for Decision	
a) Confirmation and adoption of the Minutes of the 12 <sup>th</sup> GEMS Annual General Meeting held on 31 July 2018	Chairperson

<b>AGENDA</b> <b>13<sup>th</sup> GEMS Annual General Meeting</b> <b>31 July 2019, 15h00</b>	
Item	Speaker
b) Receipt and adoption of the Annual Financial Statements for the year ended 31 December 2018, including the reports of the Board of Trustees and the external auditor of GEMS	Chairperson
i) Discussion of the highlights of the Annual Financial Statements	Mr. Motshoanedi Johannes Lesejane (Independent Chairperson of the GEMS Audit Committee)
ii) Discussion of the external audit process	Dinesh Munu, Deloitte (GEMS external auditor)
c) Appointment of GEMS' external auditor for the year ending 31 December 2019 in terms of GEMS Rule 27.1	Chairperson  Mr. Motshoanedi Johannes Lesejane (Independent Chairperson of the GEMS Audit Committee)
5) Matters for Noting	
a) Disclosure of Trustee Remuneration	Deputy Chairperson
b) Addressing member issues raised at the 12 <sup>th</sup> GEMS Annual General Meeting	Deputy Chairperson
c) [To be confirmed]	Chairperson
d) [To be confirmed]	Chairperson
e) [To be confirmed]	Chairperson
6) Question and Answer Session (General questions only please, as there is a helpdesk at the AGM for members to submit enquiries and complaints concerning personal and confidential medical scheme issues to.)	Chairperson
7) Summary of Decisions	Chairperson
8) Closure	Chairperson



The attention of Members who wish to place or object to matters for discussion and/or resolution on the agenda of the meeting, is respectfully drawn to the provisions of rules 28.1.5.1 to 28.1.5.6 of the Rules of GEMS as reproduced hereunder:

28.1.5.1 Such proposed motion or objection must reach the Principal Officer no later than five (5) weeks before the date of the AGM;

28.1.5.2 *The proposed motion or objection must be accompanied by a written explanation, which clearly explains why the proposed motion or objection must be considered and the background giving rise to the proposed motion or objection;*

28.1.5.3 *The proposed motion or objection is not in contravention of, or in conflict with, the Act, these Rules or the objectives of the Scheme;*

28.1.5.4 *The decision as to whether or not a Member has satisfied the conditions specified in Rules 28.1.5.1 to 28.1.5.3 to allow for the addition, amendment or deletion of an item to/on/ from the provisional AGM agenda, shall be that of the Principal Officer, who must make such decision in consultation and with the approval of the Board;*

28.1.5.5 *If the Principal Officer, in consultation and with the approval of the Board as contemplated by Rule 28.1.5.4, decides that a proposed motion should be added as a new item to the provisional AGM agenda, or that an existing item on the provisional AGM agenda should be amended or deleted (as the case may be), then a second notice, containing the final AGM agenda and proxy form, recording all new, amended and deleted items, must be sent to Members, to reach them by no later than three (3) weeks prior to the date of the AGM. The non-receipt of such notice by a Member shall not invalidate the proceedings at the AGM, provided that the notice procedure followed by the Board was reasonable; and*

28.1.5.6 *Should the Principal Officer, in consultation and with the approval of the Board as contemplated by Rule 28.1.5.4, decide not to add a new item to the provisional AGM agenda, or not to amend or delete an existing item on/from the provisional AGM agenda, then he/she shall notify the Member of his/her decision and the reasons therefor, which notice shall be delivered to the Member no later than three (3) weeks prior to the date of the AGM. The non-receipt of such notice by the Member shall not invalidate the proceedings at the AGM, provided that the notice procedure followed by the Board was reasonable. Should the Member be aggrieved by the Principal Officer's decision, the Member may refer a dispute to the Scheme's dispute committee in terms of these Rules or to the Council for Medical Schemes in terms of the Act.*

Members wishing to propose additional motions or to object to any existing agenda items are required to submit proposals to the Scheme by post to Private Bag X782, Cape Town, 8000, email to enquiries@gems.gov.za or by facsimile to 0861 00 4367 for the attention of the Principal Officer under reference "2019 GEMS AGM Agenda". Proposed motions must reach the Scheme by 16h00 on 26 June 2019. Members are further encouraged to submit additional agenda items or to object to any existing agenda items in full compliance with the GEMS Rules reproduced above. Member proposals that do not comply cannot be placed on the agenda of the AGM as we are compelled to adhere to the registered Rules of GEMS.

An updated agenda and proxy form will be sent to Members by 10 July 2019. Please make enquiries at 0860 004 367 or enquiries@gems.gov.za if you have not received the agenda and proxy form by 10 July 2019. It is also important that Members note GEMS Rule 28.1.6 which provides that motions passed at any AGM shall be by way of an ordinary majority vote of all Members present or represented by proxy at the AGM provided that only proxies received by the Scheme no later than one (1) week prior to the date of the annual general meeting will be recognized. For this purpose, completed proxy forms must reach the Scheme by 16h00 on 24 July 2019 and can either be posted to Private Bag X782, Cape Town, 8000, emailed to enquiries@gems.gov.za or sent by facsimile to 0861 00 4367 for the attention of the Principal Officer under reference "2019 GEMS AGM Proxy". To ensure timeous delivery, members are advised to fax or email their AGM proxy forms to the Scheme.

In keeping with the Rules of GEMS, attendance at annual general meetings will be limited to Members, Officers of the Scheme and individuals or organisations who are expressly invited by the Scheme to attend. A quorum in terms of GEMS Rule 28.2.5 is required to ensure that the meeting may proceed.

In accordance with GEMS Rule 29.6, the Board of Trustees stipulates that members attending the AGM will be required to produce their **GEMS membership card** and **ID or valid drivers' license** at the registration desk. Individuals who are unable to produce the required confirmation of their eligibility to attend, will not be admitted to the meeting.

By order of the Board of Trustees.



**Chairperson**

Date: 29 April 2019



# 9. AGM MINUTES AND ACTION LIST

## Minutes of the 12th GEMS Annual General Meeting 31 July 2018, 15h00

Southern Sun Emnotweni Arena, Riverside Mall, Government Boulevard, Mbombela,  
Mpumalanga.

### 1. Opening and Welcome

- 1.1 The Chairperson of the GEMS Board of Trustees, Mr. Nkosinathi Theledi, opened the 12th Annual General Meeting of the Members of GEMS (**“the meeting”**) at 15h07 on 31 July 2018 and welcomed the Members present.
- 1.2 The Chairperson also welcomed:
  - 1.2.1 The GEMS Board of Trustees and the Executives of the Scheme;
  - 1.2.2 Mr Joe Lesejane, the Independent Chairperson of the GEMS Audit Committee, and Ms Felicia Msiza, also of the Audit Committee;
  - 1.2.3 Mr Dinesh Munu from Deloitte, who is the external auditor of the Scheme in collaboration with OMA Chartered Accountants Incorporated;
  - 1.2.4 Mr Bonaventure Thamsanqa Diniso from the Council for Medical Schemes (**“CMS”**); and
  - 1.2.5 The Scheme's stakeholders, who were attending as observers, including the representatives from the Ministry for Public Service and Administration, the Department of Public Service and Administration (**“DPSA”**), the National Treasury and the Public Service Coordinating Bargaining Council (**“PSCBC”**).
- 1.3 The Chairperson highlighted that the Scheme's internal auditors, Entsika, were also present to observe the proceedings and to provide assurance that the meeting was conducted in keeping with the GEMS Rules.

### 2. Announcement of Agenda as finalised in accordance with GEMS Rules 28.1.5.1 to 28.1.5.6

- 2.1 The Chairperson informed the meeting that the AGM agenda was finalised in accordance with the GEMS Rules, published on the GEMS website, mailed and distributed to Members from the first week in July 2018, and handed out to Members at the AGM Registration Desk.

- 2.2 The Chairperson further informed the meeting that the Scheme received proposed items for inclusion on the AGM agenda from Mr Stephen Legwabe and Mr Nduduzo Sithole. The meeting heard that, although their proposals did not meet the GEMS Rule requirements to be included as motions on the AGM agenda, they were nevertheless accommodated under **“Matters for Noting”**. He advised that the two Members were engaged on their submissions and that the Board finalised the AGM agenda at its meeting on 28 June 2018.
- 2.3 The Chairperson stated that the Scheme was mindful of the importance of providing Members with feedback on pertinent matters raised at previous meetings, and highlighted that feedback on the composition of the Board would be provided as part of the agenda item dealing with the opening remarks by the Chairperson. He added that more feedback on this matter would be provided by the Deputy Chairperson under **“Matters for Noting”**.
- 2.4 The Chairperson explained that the GEMS Rules required all proxies held to be declared upfront at the meeting. Accordingly, he announced that the Scheme received 107 proxy forms, of which 76 were valid.

### 3. Opening remarks by the Chairperson followed by a presentation by the Principal Officer on the business of the Scheme for the financial year ended 31 December 2017

- 3.1 The Chairperson informed the meeting that one of the purposes of the AGM was for the Scheme to report to its Members on its previous year's performance, as required by the Medical Schemes Act and the GEMS Rules.
- 3.2 The Chairperson mentioned that the 2017 Financial Year was a period of change and value creation, hence special in a number of ways, including the recent legislative changes, GEMS' turnaround strategic approach emanating from a difficult and challenging time, and the Scheme's movement along its strategic journey towards becoming an integral part of the National Health Insurance.
- 3.3 The Chairperson highlighted that the Scheme's objective for 2017 was to improve its financial strength and to renew its commitment towards ethical leadership and accountability.
- 3.4 The Chairperson informed the meeting that the Scheme's financial performance improved significantly in that a surplus of R3.3 billion was reported for the 2017 Financial Year, which resulted in an average contribution increase of 8.58% for the 2018 Financial Year. He emphasized that, for members on the Emerald Value Option (**“EVO”**), an average increase after subsidy of approximately 3.5% would be applied.
- 3.5 The Chairperson further briefed the meeting about the forensic investigations on the 2016 tenders, which were concluded towards the end of 2017. The meeting heard that the Board, together with management, dealt with significant instances of fraud and abuse involving some contracted service providers and employees, emanating from

a whistleblower's complaint which was submitted in September 2016. He mentioned that an internal investigation was then conducted, but that the results thereof, and an article published in a newspaper in 2016, raised more concerns than the issue initially reported. The meeting heard that, during the investigations, the Scheme was supported by independent legal and forensic investigators, and that the process included a protected disclosures process with the employees, which all led to the institution of a disciplinary process against seven (7) employees, i.e. two (2) Executives, two (2) Senior Managers, two (2) Middle Managers and one (1) junior employee. The charges included tender irregularities, nepotism, soliciting donations from contracted providers, and unauthorised disclosure of confidential scheme information. The meeting noted that five (5) of these employees resigned prior to the conclusion of their disciplinary hearings in 2017 and that the remaining two (2) were dismissed after the conclusion of their disciplinary hearings. The meeting further noted that, based on legal advice, seven (7) of the Scheme's provider contracts were terminated, that the matters were all reported to the relevant statutory authorities, and that criminal charges were filed with the Directorate for Priority Crime investigations, i.e. the HAWKS.

- 3.6 The Chairperson further stated that the Scheme had since improved several of its policies and procedures, e.g. its Supply Chain Management Policy and Ethics Policy. In addition, he mentioned that an internal whistleblowing programme for GEMS was implemented and that complaints relating to possible fraudulent behaviour by any GEMS employee or Board member would be investigated independently. He highlighted that under the new Ethics Policy, the Scheme would be able to perform lifestyle audits.
- 3.7 The Chairperson briefed the meeting about the issue surrounding the composition of the GEMS Board of Trustees. He explained that, during the past few years, Members raised concerns about the lack of diversity in respect of the Member-elected Trustees, and that the Scheme received requests for seats on the Board to be allocated to trade unions. He confirmed that the Scheme attempted to address these issues by amending the GEMS Rules and the Scheme's trustee election process, specifically to increase Member participation in trustee elections. He further explained that, early in 2017, the PSCBC requested the Scheme to amend the GEMS Rules to enable the appointment of four (4) Trustees by the Unions within the PSCBC and the election of the remaining two (2) Trustees by means of direct election by Principal Members. He advised that Section 57(2) of the Medical Schemes Act ("the Act") did not allow for this; hence, to overcome this legal barrier, an exemption application was submitted to the Council for Medical Schemes ("CMS") in terms of Section 8(h) of the Act. The meeting heard that, on 6 November 2017, the Scheme was notified that the Council for Medical Schemes had declined the exemption application based on the CMS' view that the Scheme's circumstances were not sufficiently exceptional to warrant an exemption from the Act. Other reasons provided included that the CMS deemed the current GEMS Board of Trustees to be fully functional and that the Scheme was managed by persons who were deemed to be fit and proper, as prescribed by the Act and the GEMS Rules. The meeting noted that Scheme would work with the PSCBC to exhaust all legal remedies to achieve the desired outcome.

- 3.8 The Chairperson proceeded to thank Ms Nontobeko Ntsinde, who served as the Chairperson of the Board until 5 February 2018, for her strong leadership and the immeasurable contribution made during her tenure.
- 3.9 The Chairperson informed the meeting that Ms Nombulelo Mkhumane served as Deputy Chairperson of the Board until 5 February 2018, and thanked her for her contribution in steering the Scheme through the various challenges managed in 2017. He further informed the meeting that Ms Mkhumane chaired the GEMS Investment Committee and that under her auspices, the Scheme's investment performance went from strength to strength.
- 3.10 The Chairperson stated that the Trustees who served on the Board in 2017 were confronted with complex decisions and demonstrated their willingness to address challenges in a decisive manner to protect the interests of all GEMS beneficiaries. The Board maintained a results driven approach and exemplified ethical leadership. He thanked the Trustees for their ongoing support in engaging stakeholders, where Board level engagement was needed.
- 3.11 The Chairperson thanked Dr Clarence Mini, Mr Daniel de Villiers, Ms Lungile Zondi, Dr Kobus van Zyl and Ms Nombulelo Mkhumane for respectively chairing the Clinical Governance and Ex-gratia Committee, the Governance Risk and Ethics Committee, the Dispute Committee, the Remuneration Committee and the Investment Committee during the period under review. He mentioned that Dr Mini resigned from the GEMS Board with effect from 15 December 2017 and was now the Chairperson of the Board of the Council for Medical Schemes. The Chairperson highlighted that GEMS had benefitted from Dr Mini's expertise and deep understanding of the medical schemes industry, and that the Scheme looked forward to his impact on the whole industry in his new position.
- 3.12 On behalf of the GEMS Board of Trustees, the Chairperson thanked the former Independent Chairperson of the GEMS Audit Committee, Ms Mmathabo Sukati, for leading the Scheme's Audit Committee. He highlighted the Board's appreciation for her valuable contribution made towards the effective corporate governance of the Scheme. He proceeded to thank the new Independent Audit Committee Chairperson, Mr Joe Lesejane, who became part of GEMS on 1 January 2018, for taking on this critical role.
- 3.13 On behalf of the GEMS Board of Trustees, the Chairperson expressed the Board's sincere appreciation to the GEMS Principal Officer, Dr Guvant Goolab, for having led the Scheme's Executive Management team in 2017. The Chairperson continued to express the Board's appreciation for the excellent manner in which the new Five-year Strategy implementation was driven, in addition to Dr Goolab's dealing with the challenges arising from the extensive tender investigations. He confirmed that the Board was pleased with the operational results achieved by the Scheme for the period ended 31 December 2017.
- 3.14 The Chairperson then invited the Principal Officer to give an outline of the business of the Scheme for 2017.
- 3.15 The Principal Officer highlighted GEMS' Mandate to ensure that there was adequate provisioning of healthcare coverage to public service employees that was efficient,

cost-effective and equitable, and to provide further options for those who wished to purchase more extensive cover.

- 3.16 The Principal Officer emphasised GEMS' Vision to be an excellent, sustainable and effective medical scheme that drives transformation in the healthcare industry, aligned with the principles of universal health coverage.
- 3.17 The Principal Officer stressed GEMS' Values, i.e. Excellence, Integrity, Member Value, Innovation and Collaboration.
- 3.18 The Principal Officer informed the meeting that GEMS was in its second year of its new five-year strategy, and that as part of the strategy, the Board reviewed the Vision, Mission and Values of the Scheme. With regards to GEMS' Vision, he mentioned that two changes were made in line with GEMS' Mandate by Government, i.e. driving transformation in the healthcare industry and aligning to the principles of universal healthcare (i.e. NHI). The meeting heard that, in respect of GEMS' Mission, there was an additional focus on Member well-being. He emphasized that, with regards to GEMS' Values, "Collaboration" was added, as GEMS would collaborate with all its key stakeholders to move towards the implementation of universal healthcare in South Africa.
- 3.19 The Principal Officer further informed the meeting that the growth and efficiency of the Scheme was aligned with the recently published Medical Schemes Amendment Bill and the Health Market Inquiry, and that GEMS would focus on the simplification of products, services and processes. The meeting heard that, towards the last period of the strategy, the Scheme would position itself on being an important contributor towards the realisation of universal healthcare, and would focus on strengthening its IT capabilities to contribute to this journey.
- 3.20 The Principal Officer stated the six (6) objectives of the Scheme's new strategy, i.e.:
  - 3.20.1 To be an organisation that is effective in communication, proactive in decision making, and accountable;
  - 3.20.2 To advance financial strength and drive the Scheme to a position of long-term sustainability;
  - 3.20.3 To shape the transformation of the healthcare industry towards NHI, coordinated across the healthcare ecosystem;
  - 3.20.4 To be a strategic purchaser of healthcare services by leveraging GEMS' unique position and relationships;
  - 3.20.5 To be an agile, data driven scheme that leverages people, systems and processes to derive value for its Members; and
  - 3.20.6 To sustainably grow membership, ensuring inclusion and cross subsidisation.
- 3.21 The Principal Officer then proceeded to highlight the Scheme's performance against each strategic objective's Key Performance Indicator ("KPI"), i.e.:
  - 3.21.1 The Scheme's Complaints Ratio;

3.21.2 The Scheme's Reserve Ratio;

3.21.3 The transfer of members from the Emerald Option to the Emerald Value Option ("EVO");

3.21.4 The number of specialists contracted by the Scheme;

3.21.5 The Scheme's adoption of digital channels; and

3.21.6 The percentage of Level 1 – 5 Public Service employees enrolled on the Scheme.

- 3.22 The meeting heard that the Scheme's 2017 Complaints Ratio target of 0.25% was not met, given the Scheme's actual performance of 0.28%, but that the Scheme had implemented processes to deal with this matter.
- 3.23 With regards to the Scheme's 2017 Reserve Ratio target of 8.2%, the Principal Officer informed the meeting that the Scheme had more than doubled its reserves, i.e. from 7% in 2016 to 15.2% in 2017.
- 3.24 The Principal Officer further informed the meeting that the Scheme's targeted percentage of 5% for the number of Members transferred from the Emerald to the Emerald Value Option during the 2017 financial year, was exceeded in that 6.4% of such Members were transferred.
- 3.25 In respect of the Scheme's 2017 target of 1500 for the number of specialists contracted by the Scheme, the Scheme exceeded its target by having contracted 1503 specialists at the end of 2017.
- 3.26 With regards to the Scheme's 2017 target to Introduce Digital Channels, the meeting heard that the Scheme succeeded by having 38823 Members registered on Facebook and 4111 on the GEMS Member Application ("GEMS App").
- 3.27 In respect of the Scheme's 2017 target to have 45% of the Level 1 – 5 Public Service employees enrolled on the Scheme by the end of 2017, the Principal Officer confirmed that this target was met in that 47% of such employees were enrolled. He also confirmed that further efforts were being made to improve this figure.
- 3.28 The Principal Officer subsequently moved to report on the Scheme's financial indicators for 2017, highlighting the improvement in the Scheme's non-healthcare expenditure, i.e. from 5.58% in 2017 to 4.93% in 2018 (YTD). The meeting heard that GEMS received unqualified audits for 12 consecutive years.
- 3.29 The Principal Officer informed the meeting that the Scheme implemented a Claims Management Programme to deal with fraud, waste and abuse, and that a number of focused interventions were implemented, i.e. Underwriting, protocol reviews, KZN interventions, in-hospital case reviews, and other fraud, waste and abuse initiatives, which collectively assisted in reducing the levels of fraud, waste and abuse experienced by the Scheme. He then thanked the Members who assisted the Scheme by reporting irregular claim submissions by healthcare providers, and stressed the importance of such reports in the Scheme's fight against fraud, waste and abuse.



- 3.30 The meeting heard that the Scheme's underwriting intervention, introduced in 2016 with the aim of preventing anti-selective beneficiaries from joining the Scheme, had delivered on its objective.
- 3.31 The Principal Officer proceeded to provide an overview of the steps taken by the Scheme in 2017 to deal with fraud, waste and abuse, and highlighted the results achieved.
- 3.32 The Principal Officer further provided an overview of the performance of the Emerald Value Option in 2017 and emphasized that it offered the same comprehensive benefits as the Emerald Option, except that it was underpinned by care coordination.
- 3.33 The Principal Officer advised on the healthcare services paid by the Scheme on behalf of its Members, with specific reference to the claim areas of GP Consultations, Specialist Consultations, Medicines and Hospital Admissions, as well as to the top five (5) claim conditions of each claim area.
- 3.34 The Principal Officer highlighted the top six (6) chronic conditions of 2017, i.e. asthma, diabetes, hypertension, hyperlipidaemia, HIV and TB; the fact that 20% of Members suffer from same and the Scheme's expenditure and admission rates associated with same. He further highlighted that these Beneficiaries accounted for almost 50% of all hospital admissions.
- 3.35 The Principal Officer provided the meeting with a breakdown of the claims paid, proportionate to the number of beneficiaries, in 2017.
- 3.36 The Principal Officer advised that less than 3% of Members deplete their benefits in any given month, and that this had remained consistent over the last 5 years. He added that more than 80% of Member benefits were preserved until the end of the year (2017). He further mentioned that, when comparing GEMS to other competing medical schemes, GEMS' benefit options were more affordable, with an average contribution of 29% less than that of other medical schemes, before subsidy. He further advised that the majority of members of GEMS pay between 0% - 10% of their gross salary towards their contributions, after subsidy.
- 3.37 The Principal Officer highlighted that the Scheme's Specialist Network comprised 152 Anaesthetists, 329 Obstetricians & Gynaecologists, 319 Paediatricians, 440 Physicians and 265 Psychiatrists, totalling 1503 specialists. He further highlighted that the Scheme had contracted more specialists and that, when Members visit network specialists, no co-payments would be incurred. The meeting noted that the Scheme would add general surgeons and orthopaedic surgeons to its Specialist Network in 2018.
- 3.38 The Principal Officer also highlighted that there were 2177 Medicine Providers in the Scheme's Medicine Provider Network ("**MPN**"), and that 84.54% of all Scheme Beneficiaries resided within a 10km radius of a MPN pharmacy.
- 3.39 The meeting heard that, during 2017, 634 097 Member visits were managed by the Scheme's 18 Provincial Member Walk-in Centres, 3 594 869 calls were handled by the Scheme's Call Centres, 10 916 370 emails were managed by the Scheme, and 90.9 million claim lines were processed by the Scheme.

- 3.40 The Principal Officer informed the meeting that the Scheme's Client Liaison Officer ("CLO") Units were operational in Limpopo, North West, Mpumalanga, Eastern Cape, Free State, Gauteng and Kwa-Zulu Natal. He highlighted that, during 2017, the CLO Units conducted 16 077 departmental visits, engaged 228 321 Members, handled 290 664 enquiries and resolved 88% thereof on-site.
- 3.41 The Principal Officer indicated that the Scheme's complaints ratio for 2017 was 0.28%. He mentioned that the Scheme introduced a Claims and Complaints Management process to focus on the complaints received, and that the highest complaints drivers were the new Emerald Value Option and the recently implemented Underwriting.
- 3.42 The meeting heard that, on 30 July 2018, the Board approved the establishment of the Service Management Forum, which would focus on a thorough assessment of the Scheme's service offering, with the aim of achieving a dramatic, step-change improvement in overall Member and provider satisfaction, with the goal of achieving the position of the best medical scheme in South Africa, as voted for by Members, by December 2019. The meeting noted that the overall theme for implementation would centre on the Thuma Mina principle, and that the key initiatives would focus on improving the Scheme's call centre services, chronic medicine services, Member application processes and procedures, face-to-face engagements with Members, and Member self-help services.
- 3.43 The Principal Officer advised that, during 2017, the Public Service Bargaining Council ("**PSCBC**") resolved, by means of PSBC Resolution 4 of 2017, to perform a review of the Scheme for purposes of:
- 3.43.1 Assuring that GEMS was better geared towards meeting Member needs;
  - 3.43.2 Focusing on the aspects of Member satisfaction, the administration of the Scheme, benefits, and how the Scheme listened to and addressed Members; and
  - 3.43.3 Focusing on the challenges of Members on the Sapphire Option.
- 3.44 The Principal Officer assured the meeting that GEMS would work with the Unions and the Employer (in the PSCBC) in a Joint Working Committee ("**JWC**") in order to achieve the aforesaid purposes.
- 3.45 The Principal Officer emphasised that the JWC would perform ongoing performance monitoring of the Scheme, i.e. in respect of:
- 3.45.1 GEMS' strategic direction;
  - 3.45.2 The efficiency of the administration of the Scheme;
  - 3.45.3 The financial sustainability of the Scheme;
  - 3.45.4 GEMS' benefit offering relative to other schemes in the market;
  - 3.45.5 The bettering of the Scheme's benefit structure;
  - 3.45.6 Member satisfaction; and
  - 3.45.7 Member education and recruitment.

- 3.46 The Principal Officer also highlighted that, as part of the review of GEMS, Clause 4.3 of PSCBC Resolution 4 of 2017 would be amended to include a new Clause 4.3.8, which would provide for the development of a benefit product for Members earning on salary levels 1 - 5, and which would enhance medical cover on an ongoing and accessible basis.
- 3.47 The Principal Officer informed the meeting about two bills that was recently published for public comment, i.e. the National Health Insurance Bill and the Medical Schemes Amendment Bill, and how the Scheme's Emerald Value Option ("EVO") was well positioned in line with these bills. The meeting heard that GEMS had made submissions to the Health Market Inquiry of the Competition Commission, and that the executive summary of this report highlighted EVO as being a better option.
- 3.48 The Principal Officer advised that GEMS' rationale for aligning with the National Health Insurance ("NHI") was the following:
- 3.48.1 To ensure that there was adequate provisioning of healthcare coverage to public service employees that was efficient, cost-effective and equitable; and to provide further options for those who wished to purchase more extensive cover;
  - 3.48.2 The right of all South Africans to have access to healthcare services, which was enshrined in our Constitution;
  - 3.48.3 The private sector spent 4.4% of GDP on health, but only provided care to 16% of the population. The public sector spent 4.1% of GDP on health, but provided care to 84% of the population. The 2025/2026 projection was that the public sector GDP spend would increase from 4.1% to 6.2%; and
  - 3.48.4 The NHI Policy, signed on 28 June 2017, i.e. page 62 thereof, stated that: *"Schemes covering state employees will be consolidated into one scheme, the Government Employees Medical Scheme (GEMS)".*
- 3.49 The Principal Officer advised that the 2018 Health Market Enquiry Provisional Report, i.e. page 9, par. 32 of the Executive Summary, stated that:
- 3.49.1 The GEMS Efficiency Discount Option resulted in a number of efficiency savings and consumer benefits.
  - 3.49.2 A 10% reduction in doctor hopping, a 22% reduction in specialist consultations, and a 16% reduction in hospitalisations was reported, and that combined, these stipulations resulted in 12% lower costs, despite this option having a higher risk profile.
  - 3.49.3 A 10% discount on monthly contributions for the same level of benefits had been passed on to the Members of this option.
- 3.50 The Principal Officer also informed the meeting that, as part of the AGM social initiative, GEMS would be participating in a CSI event on 1 August 2018 at the Umahlusi Omuhle Drop-in Centre in White River to support the facility in developing a fully operative Life Centre, where children from the community were fed, helped with homework and assisted with basic health needs.

3.51 Finally, the Principal Officer thanked:

- 3.51.1 The Minister of Public Service and Administration and the officials of the Department of Public Service and Administration;
- 3.51.2 The Minister of Health and the officials of the Department of Health;
- 3.51.3 The Council for Medical Schemes;
- 3.51.4 All GEMS' stakeholders, including the PSCBC, unions, and government departments;
- 3.51.5 The GEMS Board of Trustees for their continued guidance and support in running the Scheme;
- 3.51.6 The GEMS Executives and staff for their support, remaining focused and dedicating themselves to the sole purpose of pursuing the Scheme's operational plan;
- 3.51.7 The Scheme's healthcare partners and service providers that made the delivery of healthcare services possible; and
- 3.51.8 The Scheme's valued Members, who comprised the Scheme and placed their trust in GEMS to ensure they had cover when needed.

3.52 The Chairperson thanked the Principal Officer and asked the meeting to note their questions and comments, as same would be dealt with during the latter part of the meeting.

#### 4. Matters for Decision

##### 4.1 Confirmation and adoption of the Minutes of the 11th GEMS Annual General Meeting held on 31 July 2017 at the Steve Biko Centre, 2429 Mbeka Street, King William's Town, 5601.

- 4.1.1 The Chairperson tabled the draft Minutes of the 11th GEMS Annual General Meeting held on 31 July 2017 for consideration by the meeting, and mentioned that it would be taken as read by the Members at the meeting, given that the Minutes formed part of the 2017 GEMS Annual Integrated Report that was distributed to Members for consideration well in advance of the meeting.
- 4.1.2 The Chairperson then called on the Members at the meeting for the adoption of the Minutes by way of a show of hands, to which a Member raised for the adoption and another seconded the move for the adoption of the Minutes, without any of the other Members at the meeting having objected to same.

#### Decision

- 4.2 The Minutes of the 11th GEMS Annual General Meeting held on 31 July 2017 at the Steve Biko Centre, King William's Town were adopted by the Members of the Scheme as being a true reflection of what was discussed at that meeting, after a proposal and a secondment in favour of such adoption were received from two respective members, without any of the other Members at the meeting having objected to same.**

5. Receipt and adoption of the Annual Financial Statements for the year ended 31 December 2017, including the reports of the Board of Trustees and the external auditor of GEMS

- 5.1 The Chairperson invited the independent Chairperson of the GEMS Audit Committee, Mr Johannes (Joe) Lesejane, to comment on the Scheme's Annual Financial Statements for the year ended 31 December 2017 ("AFS").
- 5.2 Mr Lesejane advised that the roles and responsibilities of the GEMS Audit Committee were described on pages 83-85 of the Annual Financial Statements. He further indicated that he was supported by Ms Felicia Msiza (Deputy Chairperson of the GEMS Audit Committee), Ms Karyna Pierce (GEMS Chief Financial Officer) and Mr Dinesh Munu (Deloitte & Touche and OMA Chartered Accountants Incorporated Joint Venture).
- 5.3 Mr Lesejane highlighted that, during the previous financial year (2016), the Scheme incurred a loss of R404m due to the high number of claims honoured during that year, and that the Scheme was currently not complying with the 25% statutory reserve ratio requirement prescribed by the Medical Schemes Act 131 of 1998 ("the Act"). The meeting noted, however, that year-on-year claims increases were well contained at 2%, that claims paid in 2017 amounted to R30bn, and that the Scheme achieved a surplus of R3.2bn for the 2017 year as a result of the introduction of various cost containment processes.
- 5.4 Mr Lesejane advised that, during the 2017 year, the Scheme's cash increased by R1.7bn and its investments increased by R1.6bn.
- 5.5 Mr Lesejane further informed the meeting that the Scheme was investing in its own building to enhance its net asset value.
- 5.6 Mr Lesejane highlighted that the Scheme exceeded its 8.2% reserve ratio target, approved by the Council for Medical Schemes for the 2017 financial year, by having achieved a reserve ratio of 15.2% (R5.4bn) at the end of 2017. The meeting again noted that the statutory reserve ratio requirement prescribed by the Act was 25%.
- 5.7 Mr Lesejane mentioned that the GEMS Audit Committee recommended the AFS to the GEMS Board of Trustees, and that same were approved for presentation at the AGM. He confirmed that the AFS were audited by Deloitte & Touche and OMA Chartered Accountants Incorporated Joint Venture and that no concerns were raised. He then requested for the AFS to be approved by the Members at the meeting.
- 5.8 Mr Makhanya questioned Mr Lesejane's reference to billions, instead of millions, to which Mr Lesejane responded by clarifying that the number was actually billions, but that the number was written in short (with reference to the associated heading, wherein the additional zeros comprising a billion were indicated) due to the space limitations on the relevant page. Mr Makhanya accepted the clarity and requested that this be explained in future to eliminate any confusion.
- 5.9 The Chairperson then called upon Mr Dinesh Munu from Deloitte & Touche and OMA

Chartered Accountants Incorporated Joint Venture (the Scheme's External Auditor for the year ended 31 December 2017) to present their audit opinion in respect of the AFS.

- 5.10 Mr Munu presented their audit report and highlighted the Trustees' responsibility in the preparation of the financial statements. He confirmed that no unethical matters were detected, but highlighted the Scheme's non-compliance with the reserve ratio requirement of 25%. He, however, indicated that the auditors acknowledge that significant improvements were made by the Scheme during the 2017 year towards improving its solvency.
- 5.11 Mr Munu further mentioned that the auditors had noted minor areas of non-compliance, being the Scheme's solvency ratio and the Scheme's late receipt of Member contributions; however, he confirmed that these findings were not significant enough to warrant a report to the Independent Regulatory Board for Auditors ("IRBA"). The meeting noted that an unqualified audit opinion was issued to the Scheme in respect of the Annual Financial Statements for the period ending 31 December 2017, which was subsequently approved by the CMS without any issues being raised.
- 5.12 The Chairperson then called on the Members at the meeting for the adoption of the Annual Financial Statements for the financial year ended 31 December 2017 by way of a show of hands, to which a Member raised for, and another seconded the move for, the adoption of the AFS without any of the other Members at the meeting having objected to same.

**Decision**

**5.13 The Annual Financial Statements of the Government Employees Medical Scheme for the financial year ended 31 December 2017 was adopted by the Members of the Scheme, after a proposal and a secondment in favour of such adoption was received from two respective Members, i.e. Mr Sebuti Masemola and Ms Dimakatso Pinana, without any of the other Members at the meeting having objected to same.**

6. Appointment of Deloitte & Touche and OMA Chartered Accountants Inc. as GEMS' external auditors for the year ending 31 December 2018 in terms of GEMS Rule 27.1
  - 6.1 The Chairperson called upon the Chairperson of the GEMS Audit Committee, Mr Joe Lesejane, to provide an overview on the appointment of the Scheme's external auditors.
  - 6.2 Mr Lesejane informed the meeting that the Scheme conducted a tender process for the procurement of an independent external audit service provider, and that the GEMS Audit Committee was not involved in that process.
  - 6.3 The meeting heard that the tender evaluation reports were subsequently submitted to the GEMS Audit Committee for recommendation to the GEMS Board of Trustees, following which the Board approved the appointment of Deloitte & Touche, with OMA

Chartered Accountants Inc. as their sub-contractor, as the Scheme's external auditors for the 2018 financial year.

- 6.4 Mr Lesejane recommended to the meeting the appointment of Deloitte & Touche, with OMA Chartered Accountants Inc. as their sub-contractor, as the Scheme's external auditors for the 2018 financial year.
- 6.5 The Chairperson then called on the Members at the meeting for the appointment of Deloitte & Touche, with OMA Chartered Accountants Inc. as their subcontractor, as the Scheme's external auditors for the financial year ending 31 December 2018 by way of a show of hands, to which Mr Sebilane (Member) moved for, and Mr Simphiwe Gada (Member) seconded the move for, such appointment without any of the other Members at the meeting having objected to such appointment.

## Decision

**6.6 The appointment of Deloitte & Touche, with OMA Chartered Accountants Inc. as their sub-contractor, as the Scheme's external auditors for the financial year ending 31 December 2018, was approved by the Members of the Scheme, after a proposal and a secondment in favour of such appointment were received from two respective Members, i.e. Mr Sebilane and Mr Simphiwe Gada, without any of the other Members at the meeting having objected to same.**

## 7. Matters for Noting

- 7.1 Disclosure of Trustee Remuneration
  - 7.1.1 The Deputy Chairperson of the GEMS Board of Trustees, Dr Millicent Hlatshwayo, informed the meeting that, during previous AGMs, Members raised concerns about the unreasonably high Trustee remuneration.
  - 7.1.2 The Deputy Chairperson highlighted that the GEMS Board of Trustees was responsible for:
    - 7.1.2.1 Taking all reasonable steps to protect the interests of beneficiaries;
    - 7.1.2.2 Acting with care, diligence and in good faith;
    - 7.1.2.3 Avoiding conflicts of interest; and
    - 7.1.2.4 Acting with impartiality in respect of all Beneficiaries.
  - 7.1.3 The Deputy Chairperson further highlighted that Board members were jointly and severally liable, and took on significant personal risk, when conducting the business of the Scheme on behalf of its Members.
  - 7.1.4 The Deputy Chairperson advised that Trustees and Independent Committee Members prepared for and attended Board and Committee meetings, for which a fixed daily meeting fee and monthly stipend was paid, and which was

determined through independent benchmarking surveys, based on 18 hours of work per meeting, i.e. preparing for and attending a meeting.

- 7.1.5 The Deputy Chairperson emphasized that the amount of the fixed daily meeting fee had not increased since 2014.
- 7.1.6 The meeting noted that the global amounts paid in respect of the Scheme's Trustees in 2017 were:
  - 7.1.6.1 R8 632 000 for meeting fees and monthly stipends; and
  - 7.1.6.2 R1 508 000 for travel, accommodation and training, and that the increases in these amounts were informed by increased travel costs, trainers' fees and the number of meetings held.
- 7.1.7 The meeting heard that the Trustees were not remunerated for additional duties undertaken on a voluntary basis, the value of which was estimated to be around R1 252 800, when calculated in terms of the approved meeting fee rate.
- 7.1.8 The Deputy Chairperson advised that the global expenditure was informed by the number of Board and Committee Meetings and the number of Committees supporting the Board.
- 7.1.9 The Deputy Chairperson further advised that Board meetings were driven by regulatory requirements and GEMS' business cycle and requirements.
- 7.1.10 The Deputy Chairperson highlighted that the 6 Committees of the Board were informed by:
  - 7.1.10.1 Regulatory requirements (Audit Committee and Dispute Committee);
  - 7.1.10.2 The Scheme's corporate governance benchmark with reference to the King IV Report (HR & Remuneration Committee and Risk Social & Ethics Committee);
  - 7.1.10.3 The GEMS business model and the requirement to add value (Finance & Investment Committee and Clinical Governance & Administration Committee); and
  - 7.1.10.4 Ex-gratia payments of R27.4 million in total to Beneficiaries in 2017 (Clinical Governance & Administration Committee).
- 7.2 Addressing Member issues raised at the 11th GEMS Annual General Meeting
  - 7.2.1 The Deputy Chairperson informed the meeting that the 2017 GEMS AGM Action List comprises issues raised by Members at the 2017 GEMS AGM, and that some of the issues were already addressed during the Chairperson's presentation at that meeting. The meeting noted that two issues remained to be addressed, i.e. the Member Wellness Programme and the Board composition matters.
  - 7.2.2 The Deputy Chairperson informed the meeting that the Member Wellness Programme were put on hold, following discussions with the CMS, and that



the Scheme would consider a different approach, as it acknowledged that Members required this feature.

7.2.3 The meeting noted that the Board composition matter was now with the PSCBC, who was looking into same with the support of the Scheme.

7.3 The Chairperson then invited the Principal Officer to present on the two items proposed by Members for inclusion on the AGM agenda:

7.3.1 The Principal Officer informed the meeting that one Member proposed that GEMS should consider moving away from its current operating model and become a self-administered medical scheme. The meeting noted that the Board considered this item and that feedback was provided to the Member. It was also noted that the Scheme, as part of its five year strategy, was focusing on improving its functions, and that the Internal Audit and Finance functions had already moved from the Scheme's Administrator and were being managed internally. He also mentioned that the incorporation of IT systems and platforms was also underway.

7.3.2 The Principal Officer informed the meeting that the second item proposed by another Member was the waving of having to obtain a General Practitioner ("GP") referral to a specialist on the Emerald Value Option ("EVO"), it being a requirement of this option that Members should first consult a GP who would treat the Members and then refer to a specialist, should the need arise. The meeting noted that this request was contrary to the principles of care coordination, on which EVO was based.

## 8. Question and Answer Session

8.1 The Chairperson gave Members an opportunity to ask general questions about the matters discussed in the 2018 GEMS Annual Integrated Report and at this meeting.

8.2 In response, a number of Members raised the following concerns:

8.2.1 Mr Lucas Cele commended the Scheme for trying to combat fraud, waste and abuse, but noted that there has been a significant number of caesarean section births. He enquired how the Scheme would minimise this, as these were costly procedures.

*The Scheme's Chief Operations Officer, Dr Stan Moloabi, responded that the Scheme could not interfere with the clinical discretion of medical practitioners. He, however, advised that the Scheme would be initiating a programme, which was aimed at encouraging Members to give birth with the assistance of midwives, in cases where no complications were foreseen.*

8.2.2 Mr Cele also needed clarity on the difference between a "clean" and an "unqualified" audit.

*The GEMS Audit Chairperson, Mr Lesejane, clarified that a "clean" and an "unqualified" audit are the same thing, and that "clean audit" is the phrase most commonly used in the industry.*

8.2.3 Mr Patrick Mokoena implored the Scheme to refrain from printing ballot papers, which were not used, in order to eliminate wasteful expenditure.

*The Chairperson clarified that the ballot papers were not used, as no objections were tabled; but, had objections been raised, the meeting would have had to vote by way of ballot.*

8.2.4 Ms Makome raised a concern about the Scheme's alignment with the NHI, stating that Members were not clear as to where they would stand, once the NHI is implemented.

*The Principal Officer responded that the NHI Bill was publicised for public comment and that everyone was encouraged to submit their written comments on Bill to the legislature. He further added that the Scheme had noted the Member's concern regarding the uncertainty surrounding the NHI.*

8.2.5 Mr Tshabalala raised a concern on the depletion of benefits mid-year and enquired on the Scheme's long-term strategy to prevent this. He suggested that the Scheme increase the number of network service providers in order to reduce Member co-payments, and noted that there was a shortage of paediatricians, oncologists, cardiologists and pathologists on the GEMS Specialist Network.

*The Principal Officer acknowledged the concern and assured the Member that this matter would be one of the key focus areas of the benefit design processes for the following year.*

*The Chief Operations Officer indicated that the Scheme would engage more specialists and acknowledged that more network specialists were needed.*

8.2.6 Mr Tshabalala requested that the Scheme be transparent in disclosing the allowances paid to Board members and employees in order to eliminate corrupt activities and people receiving "handshakes".

8.2.7 Mr Tshabalala further requested the Scheme to benchmark itself against other medical schemes in respect of wellness issues, e.g. discounted gym memberships.

*The Principal Officer mentioned that the Scheme developed a proposal for the introduction of a loyalty programme for consideration by the Council for Medical Schemes ("CMS"), but that the CMS was not comfortable with same. He indicated that the Scheme's business model differed from other medical schemes; hence, it would be difficult to benchmark with other medical schemes. He, however, mentioned that the Scheme would continue to engage the CMS on how to introduce lifestyle benefits/loyalty programmes for Members.*

8.2.8 Mr Sandile Kunene implored the Scheme to forward the Minutes of the previous AGM and the Scheme's financial statements for the previous financial year to Members before the AGM.

*The Chairperson responded that the Minutes of the previous AGM and the Scheme's financial statements for the previous financial year were forwarded to Members electronically and by post, well in advance of the AGM.*

- 8.2.9 Mr Kunene also suggested that unutilised Member benefits should not to be forfeited at the end of a financial year, but rather carried over to the next financial year. He further requested that general meetings be held provincially, before the actual Annual General Meeting.

*The Principal Officer responded that, generally, unutilised Member benefits could not be carried over, with the exception of the Ruby benefit option that provided for some unutilised Member benefits to be accumulated and carried over to the following financial year.*

*The Chairperson clarified that the AGM was only held once a year and rotated throughout the various provinces to enable the Members in each province to engage the Scheme.*

- 8.2.10 Ms Pinana commended the Scheme on its proactive communication, but also raised the issue of depleted Member benefits mid-year. She implored the Scheme to look at this matter, as she was faced with about five medical bills that were not paid by the Scheme.

*The Chief Operations Officer requested Ms Pinana to engage him after the meeting, as this was an isolated matter.*

*The Principal Officer added that Members had an option to apply to the Scheme's Ex-gratia Committee for ex-gratia funding, should situations arise where their medical costs were not covered by their usual benefits.*

- 8.2.11 Ms Mashigo expressed her dissatisfaction with the fact that her benefits were exhausted before June each year, whilst being on the highest option, i.e. Onyx, and enquired about how the Scheme would address this issue, when on the one hand, a condition that a Member has, requires frequent blood tests, whilst on the other hand, prescribed medication and blood tests were not being paid for because of depleted benefits.

*The Principal Officer responded that the Member's concern was being addressed in that it will be one of the key focus areas of the Scheme's benefit design process for next year. He advised that the Scheme was considering the introduction of an extender benefit, which would assist in covering pathology claims, consultations and medication in instances where a Member's usual benefits were exhausted.*

- 8.2.12 Ms Mashigo requested the Scheme to improve its call centre's automated voice prompts, as currently it took a lot of time without a Member necessarily being assisted before his/her airtime ran out.

- 8.2.13 Ms Mashigo further requested the Scheme to be more specific as to how much the Trustees are remunerated, as this would attract, encourage and motivate other Members to stand for election as Trustees.

*The Chairperson clarified that this matter was addressed by the Deputy Chairperson when she presented the Trustee Remuneration Report.*

- 8.2.14 Ms Mashigo enquired how the issue of specialists charging at 300% of Scheme Rate and the Scheme paying at 100% of Scheme Rate was being addressed.

*The Chief Operations Officer responded that this was another case where the Scheme could not prescribe to specialists; however, he advised that the Medical Schemes Amendment Bill sought to outlaw the application of co-payments, and that the Scheme was hoping that co-payments would be eliminated once this Bill was finalised. He further mentioned that the Scheme was engaging specialists to alleviate the co-payment pressure on Members in the meantime.*

- 8.2.15 Ms Mundawe raised a concern of pathology claims not being paid by the Scheme, causing Members to pay same from their own pockets.

*The Principal Officer responded that this was also one of the key focus areas of the benefit design process for 2019 and that this matter would be addressed.*

- 8.2.16 Mr Musamanganyi raised a concern about Members' Over-the-Counter Medicine benefit, which also was depleted mid-year, and enquired why Members had to consult General Practitioners ("GPs") to get a prescription, which cost more, whilst Members could easily go to a pharmacy and receive medication over the counter, without incurring the additional cost of a GP consultation.

*The Principal Officer responded that, even when benefits are depleted, there were about 270 conditions that all medical schemes had to cover, despite the depletion, and that this was yet another key focus area of the benefit design process for 2019.*

- 8.2.17 Mr Musamanganyi further expressed his dissatisfaction about the fact that the Scheme paid for generic medication, but not for original medication prescribed by healthcare practitioners.

*The Principal Officer responded that generic medication was manufactured from the same pharmaceuticals as original medication, and assured the Member that it was also tested by the South African Health Products Association, which was responsible for the registration of all medication, after having tested them for safety and effectiveness. He further stated that pharmacies were by law required to inform Members of the availability of more affordable medication, i.e. generic medication.*

- 8.2.18 An unidentified Member commended the Scheme for the way in which it was dealing with Members' concerns. He stated that Members welcomed the report received from the Scheme in its dealing with the fraud issues raised.

He reiterated that Members expected the Scheme to recover the monies with which the Scheme was defrauded from those individuals who were implicated during the forensic investigations, despite those individuals having resigned from the Scheme.

- 8.2.19 He further suggested that the Scheme review the 25% reserve ratio requirement, expressing the view that the Scheme should not focus on having high reserves, whilst Members' benefits were not sufficient to cater for their needs.
- 8.2.20 He also commended the Scheme for honouring its social responsibility through the Umalusi Omuhle Drop-in social initiative, and requested the Scheme to engage Members on the NHI in order to dispel any fears and to enable Members to support the NHI initiatives.

*The Principal Officer responded that the Member's concerns were noted, and encouraged everyone to participate in the NHI by commenting on the NHI Bill that was recently published for public comment. He mentioned that there was a lot of work to be done around the initiatives in support of the NHI.*

*The Chairperson added that the Scheme's official position on the NHI was that it fully supported the NHI.*

## 9. Summary of Decisions

- 9.1 The Chairperson thanked the PSCBC and the Members for their active participation in the AGM and for supporting the Scheme.
- 9.2 The Chairperson confirmed that the Minutes of the meeting would reflect that:
- 9.2.1 The Minutes of the 11th GEMS Annual General Meeting held on 31 July 2017 at the Steve Biko Centre, 2429 Mbeka Street, King William's Town, 5601 were

adopted by the Members of the Scheme as an accurate reflection of the proceedings of that meeting;

- 9.2.2 The Annual Financial Statements of the Government Employees Medical Scheme for the financial year ended 31 December 2017 were adopted by the Members of the Scheme; and
- 9.2.3 Deloitte & Touche, with OMA Chartered Accountants Inc as their sub-contractor, was re-appointed as the external auditor of the Scheme for the financial year ending 31 December 2018.

## 10. Closure

- 10.1 After all matters on the 2018 GEMS AGM Agenda were duly disposed of, the Chairperson closed the 12th Annual General Meeting of the Members of GEMS at 17h23 on 31 July 2018.

### Date of approval by Members of the Scheme

### Chairperson

Date: \_\_\_\_\_

ACTION LIST ON MEMBER ISSUES RAISED AT THE 2018 GEMS AGM HELD AT THE SOUTHERN SUN EMNOTWENI ARENA, NELSPRUIT ON 31 JULY 2018 AT 15h00							
No.	Issue (short description)	Classification of Issue	Responsible Lead		Scheme Response / Action Required	Progress	Status
	Members raised a concern regarding the long automated voice prompts when calling the call centre, which results in their airtime being depleted and them then not being assisted.	Call Centre	CAO		The Scheme launched a Service Management Forum in 2018, which aims to address service issues, including a review of the IVR. The IVR improvements is of high priority and is scheduled to go-live in 2019.	The Scheme received a proposal on the IVR changes and is reviewing same. The implementation timelines will be reported on, once confirmed.	In Progress
	Members urged the Scheme to review the 25% reserve-ratio requirement, as it is deemed to be too high and preventing the Scheme from affording greater benefits to members facing benefit depletion during the financial year.	Reserve Ratio Review	CFO		The 25% reserve ratio is a statutory requirement, prescribed by the Medical Schemes Act 131 of 1998, and is the same for all medical schemes. Accordingly, the Scheme is legally required by to comply with same and do not have the authority to review same.	Kindly refer to the adjacent column.	Finalised

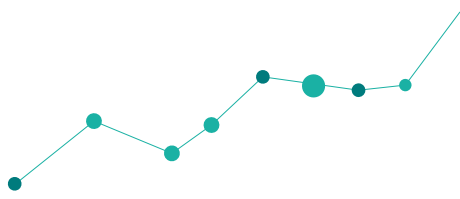
# 10. ACRONYMS/ ABBREVIATIONS

<b>AGM</b>	Annual general meeting
<b>B-BBEE</b>	Broad-based black economic empowerment
<b>BBA</b>	Bachelor of Business Administration
<b>BHF</b>	Board of Healthcare Funders
<b>CAO</b>	Chief Audit Officer
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CLO</b>	Client Liaison Officer
<b>CMS</b>	Council for Medical Services
<b>CRF</b>	Corporate Research Foundation
<b>DPSA</b>	Department of Public Service and Administration
<b>EVO</b>	Emerald Value Option
<b>GEMS</b>	Government Employees Medical Scheme
<b>GP</b>	General practitioner
<b>HFMU</b>	(BHF) Health Forensic Management Unit
<b>HMI</b>	Health Market Inquiry
<b>HPCSA</b>	Health Practitioners Council of South Africa
<b>HQA</b>	Organisation for Health Quality Assessment
<b>IDT</b>	Independent Development Trust
<b>IBNR</b>	Outstanding risk claims provision
<b>ICT</b>	Information and communications technology
<b>IFRIC</b>	International Financial Reporting Interpretations Committee

<b>IODSA</b>	Institute of Directors of South Africa
<b>IFRS</b>	International Financial Reporting Standards
<b>IRBA</b>	Independent Regulatory Board for Auditors
<b>IT</b>	Information technology
<b>KPI</b>	Key performance indicator
<b>MBA</b>	Master of Business Administration
<b>MPN</b>	Medicine provider network
<b>MSA</b>	Medical Schemes Act
<b>NDoH</b>	National Department of Health
<b>NEHAWU</b>	National Education, Health and Allied Workers Union
<b>NHI</b>	National Health Insurance
<b>PCNS</b>	Practice Code Numbering System
<b>POPIA</b>	Protection of Personal Information Act
<b>PSCBC</b>	Public Service Coordinating Bargaining Council
<b>RAF</b>	Road Accident Fund
<b>SAICA</b>	South African Institute for Chartered Accountants
<b>SCM</b>	Supply chain management
<b>SOP</b>	Standard operating procedure
<b>SPN</b>	Service provider network
<b>UCT</b>	University of Cape Town
<b>UNAIDS</b>	United Nations Programme on HIV/Aids
<b>Unisa</b>	University of South Africa



# 11. OTHER INFORMATION



- Name, business address of Principal Officer and any changes therein since prior year
- Details of administrator, capitation providers, managed healthcare providers

### Principal Officer’s office and postal address

Dr. Guvant Goolab	Private Bag X1
Corner of Amarand & Mercy Avenues	Hatfield
Menlyn Maine,	0028
Waterkloof Glen Ext 2,	
Pretoria	
0083	

### Registered office and postal address

Hillcrest Office Park	Private Bag X1
Corner of Amarand & Mercy Avenues	Hatfield
Menlyn Maine,	0028
Waterkloof Glen Ext 2,	

### Medical Scheme administrator during the year, office and postal address

Metropolitan Health Corporate (Pty) Ltd	P.O. Box 4313
Town Square Building	Cape Town
61 St George's Mall	8001
Cape Town	
8001	

### Actuaries’ office and postal address

Insight Actuaries and Consultants (Pty) Ltd  
Block J, Central Park  
400 16<sup>th</sup> Road  
Midrand  
1682

### Auditors’ office and postal address

Deloitte & Touche  
Deloitte Place,  
Building 8,  
The Woodlands,  
20 Woodlands Drive,  
Woodmead,  
2052

### Audited Financial Statements

The full audited Annual Financial Statements can be obtained from the Scheme's registered office, postal address, Scheme website and by email as stated below:

### Registered Office:

Corner of Amarand & Mercy Avenues,  
Menlyn Maine, Waterkloof Glen Ext 2,  
Pretoria

### Postal Address:

Private Bag X1  
Hatfield  
0028

### Scheme website:

[www.gems.gov.za](http://www.gems.gov.za)

### Scheme email:

[enquiries@gems.gov.za](mailto:enquiries@gems.gov.za)



Notes:

Lined area for notes.



# ABRIDGED ANNUAL INTEGRATED REPORT 2018

## CONTACT DETAILS

Call centre: 0860 00 4367  
Fax: 0861 00 4367  
Email: [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za)  
Website: [www.gems.gov.za](http://www.gems.gov.za)  
Postal address: GEMS, Private Bag X782,  
Cape Town, 8000

Working towards a healthier you

Use the QR code  
to download the  
GEMS Member App

