



tourism,  
hospitality  
& catering  
pension fund



A life of service  
deserves a service for life



year  
ending

2014



# ANNUAL REPORT



# CONTENT

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hospitality  
& catering  
pension fund



A life of service  
deserves a service for life

**FUND REGISTRATION NUMBER 12/8/20517**

## THACSA HELP DESK

(021) 421 0190/1  
thacsahelpdesk@metropolitan.co.za  
[www.thacsa.co.za](http://www.thacsa.co.za)

THACSA Pension Fund  
1 Adderley Street  
8th Floor, Paul Sauer Building  
Cape Town, 8000

## BOARD OF TRUSTEES

|   |   |
|---|---|
| Employer Trustees<br>(Fedhasa Representatives):     | A Nold (Chairman);<br>S Veley; C Godenir, S Faussner-Ringer   |
| Employer Trustees<br>(Non-Fedhasa Representatives): | R Grosch; H von Zahn  |
| Member Trustees:                                    | A Green; W Mthimkulu; C Booi (Vice-Chairman)<br>H Nqoro (Alternate); C Kaptein-Lujabe;<br>X Tamane; V Sotyifa; M Mageqa |
| Independent Trustee:                                | C Bösenberg   |
| Principal Officer:                                  | K Barnes  |

## INDEMNITY STATEMENT

The Tourism Hospitality and Catering Fund (THACSA) does not accept liability for any loss, damage or expense that may be incurred as a direct result or consequence of reliance upon the information in this document. If any conflict arises as a result of information in this document, the actual Rules of the Fund will prevail.

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# CHAIRMAN'S REVIEW

Your Fund is continually growing, not just in contributing employers and members but also in our product offering. The Board made a decision to implement a Life Stage Investment Strategy, which will provide you with an appropriate balance of risk and expected returns at different stages in your working life. This means that your Fund credit will be invested according to your investment horizon i.e. how many years you have left until retirement. This model will also allow members with some flexibility to opt out and choose more risk averse portfolios.

The Fund, in conjunction with our communication consultant, Sash Consulting will be embarking on an extensive communication drive to ensure that you receive all the necessary information regarding the new Investment Strategy. It is vital and we will rely on you to provide us with your updated contact details to assist with the implementation process.

Please also take the time to review your Annual Benefit Statement included with this Annual Report, it contains all the information you need regarding your Fund. Please feel free to speak to a financial advisor if you find that you are not on track with your retirement planning. As Trustees we will always endeavour to try to ensure the best possible outcome for you at retirement but it remains your responsibility to plan and to take control of your retirement savings.

With statistics indicating that less than 7% of South Africans can afford to retire, we realise the importance of supporting our members on their road to establishing a secure retirement future. Investment returns play an integral role, when on this journey, especially as a member of a Defined Contribution Fund, where both positive and negative returns have a direct impact on your savings. I am pleased to report that, despite the volatile and uncertain market conditions, your Fund performed well, outperforming inflation by more than 7% for the 2014 financial year.

Thank you to my fellow Trustees, the Principal Officer and service providers for your dedication throughout the year as we continue to act in the best interest of our members



Chairman of the THACSA Pension Fund **ANDY NOLD**

## FROM THE PRINCIPAL OFFICER'S DESK

The Board of Trustees consists of 7 employer appointed trustees, 7 member appointed trustees and 1 independent trustee. The Board has been exempted from Section 7B of the Pension Funds Act 1956 and therefore the member trustees are appointed by the constituent trade unions. The composition of the Board remained unchanged during 2014.

During the course of the year the Board of Trustees met 6 times, the Sub-committees met a further 13 times and a special Fund redesign workshop was held. The attendance at the Board meetings was 93 % which was an improvement on the 2013 attendance of 89%. It represents a tremendous commitment to the Fund by the trustees especially given that they are not employed by either the Fund or the administrator and have other onerous business commitments.

The Fund's redesign workshop was facilitated by Deon Hugo of Towers Watson and focused primarily on the advantages and disadvantages of implementing a Life Stage Investment Strategy. The Board approved in principle the implementation of the Life Stage Model. By the end of the year a considerable amount of work had been undertaken to implement this strategy.

The Investment Sub-committee reviewed the Fund's Investment Policy Statement and under the guidance of Deon Hugo of Towers Watson recommended to the Board that the Primary Investment Objective be amended from CPI + 5% per annum to CPI + 4.5% per annum over rolling three year periods. The Board accepted this recommendation as it represented a more realistic investment objective given the anticipated economic climate in the medium term. Deon Hugo of Towers Watson elaborates on the investment performance on page 4 of this report.

The rules of the Fund which had been revised in 2013 were approved by the Registrar on 12 February 2014. The name of the Fund "Thacsa: Tourism Hospitality and Catering Pension Fund" and the Fund logo were registered in terms of the Trade Marks Act, 1993 in February 2014 and August 2014 respectively.



*continued on page 4*

Principal Officer **KEVIN BARNES**

# FROM THE PRINCIPAL OFFICER'S DESK

The Thacsa Helpdesk which moved to No.1 Adderley Street in December 2013 continues to operate on the 8th floor. Members are welcome to visit the Helpdesk should they require any assistance or information on the Fund. Christa Bothma of Momentum Retirement Administrators expands on the administration of the Fund on page 6 of this report. Christa also provides an insight into regulatory compliance on page 5.

The Communications Sub-committee developed a benefit poster in conjunction with Sash Consulting. This poster explains the benefits that may be derived from the Fund. Employers are urged to display the poster in a place where members can review the content. An A4 replica of the poster was distributed to all members with the benefit statements. The Fund also in conjunction with Sash Consulting revamped the Fund's website which went live in August 2014. The website is now hosted by Sash Consulting and is updated on an ongoing basis. It is anticipated that this will help improve the communication between the Fund and its members. Cathy Vorster of Sash Consulting provides further insight into Fund communication on page 8.

Members are urged to complete the member update form which accompanies the annual benefit statement. This will assist the Fund to achieve one of its long term goals of communicating directly with the members.

Some of the most important aspects of operating a Pension Fund are the numbers. Sean Neethling, the Fund's Actuary, provides details of the Fund's Statutory Actuarial valuation on page 7 and an extract from the Fund's audited financial statements can be found on page 8.

On behalf of the Fund I would like to thank all the service providers for the quality of service provided.

## The Fund's Service Providers during 2014:

|                         |                      |
|-------------------------|----------------------|
| Administration:         | <b>MOMENTUM RA</b>   |
| Actuarial Services:     | <b>MOMENTUM</b>      |
| Death Benefits:         | <b>MOMENTUM</b>      |
| Funeral Benefits:       | <b>MOMENTUM</b>      |
| Investment Consultants: | <b>TOWERS WATSON</b> |

|                      |                               |
|----------------------|-------------------------------|
| Beneficiary Funds:   | <b>ABSA TRUST</b>             |
| Communication:       | <b>SASH CONSULTING</b>        |
| Disability Benefits: | <b>SANLAM</b>                 |
| Auditors:            | <b>PRICEWATERHOUSECOOPERS</b> |
| Housing Loans:       | <b>STANDARD BANK</b>          |

## ADMINISTRATOR'S OVERVIEW

Momentum Retirement Administrators **CHRISTA BOTHMA**

### FUND MEMBERSHIP

The membership of the Fund remains stable, with new participating employers still joining the Fund. There are more than 200 employers and in the year under review 1153 new members joined the Fund.

During 2014, Momentum Retirement Administrators paid a number of claims within the required service level agreement. Below are some statistics dealing with the claim payments.

| Exit Type          | Total      |
|--------------------|------------|
| Death              | 15         |
| Retirement         | 49         |
| Withdrawal         | 661        |
| <b>Grand Total</b> | <b>725</b> |



### ANNUAL BENEFIT STATEMENTS

The Annual Benefit Statements for 2013 were distributed during the month of July 2014 to all participating employers. Please contact your employer if you have not received your Benefit Statement, or the Thacsa Helpdesk that will provide you with a copy.

### SAVING FOR RETIREMENT

Members are encouraged to preserve their withdrawal or retrenchment benefit to keep their retirement savings intact when leaving service. Of the 661 withdrawal claims paid during 2014, only 28 members preserved their withdrawal benefit. The balance of more than 600 members took their full withdrawal benefit in cash.

Some of the most common mistakes made by members of Pension and Provident Funds when it comes to retirement planning, are that members start saving too late, they spend their retirement benefits when changing jobs and the members fail to obtain expert advice.

Preparing in advance for retirement is vital. While it is never too early to start saving and planning, this becomes critical as you near your retirement.

# LEGAL & TECHNICAL UPDATE

Momentum Retirement Administrators **CHRISTA BOTHMA**

## RULE AMENDMENTS

No new rule amendments were reported to the FSB during the review period 1 January 2014 to 31 December 2014. Rule Amendment no 1 was approved on the 13/5/2014 effective 1/1/2013 which is The Registered Address of the Fund that was changed to Mispel Street, Parc du Cap, Bellville, 7535

## RETIREMENT FUND TAX REFORM POSTPONED

TAXATION LAWS AMENDMENT ACT 43 OF 2014

The implementation date of all tax related retirement fund reforms has been postponed from 1 March 2015 to 1 March 2016. However, the implementation date may even be changed to 1 March 2017.

## RISK BENEFITS

### Group Life Assurance Benefit

Should you die, a benefit of 4 X your Annual Pensionable salary plus your Fund credit will be paid to your dependents. No changes were made to the Group Life Assurance costs.

### Income Continuation Benefit

Should you become disabled you will receive an income of 75% of your monthly Pensionable salary. With effect from 1 November 2014, the rate for the Income Continuation Benefit has decreased from 0.853% to 0.768% of Pensionable salaries.

## CHANGES TO THE DEFINITION OF RETIREMENT DATE

As from 1 March 2015 the date when a lump sum benefit will be deemed to accrue to the member will be the date that the member elects to retire and becomes entitled to claim a retirement benefit in terms of the rules of the Fund.

## DISABILITY BENEFIT/ INCOME CONTINUATION BENEFIT (ICB)

The premium payable for the Income Continuation Benefit will be taxable as from 1 March 2015. The income from the disability benefit will no longer be taxed when your disability claim is approved and becomes payable to you.

## FUNERAL BENEFITS

The following benefit is available to you and your immediate family.

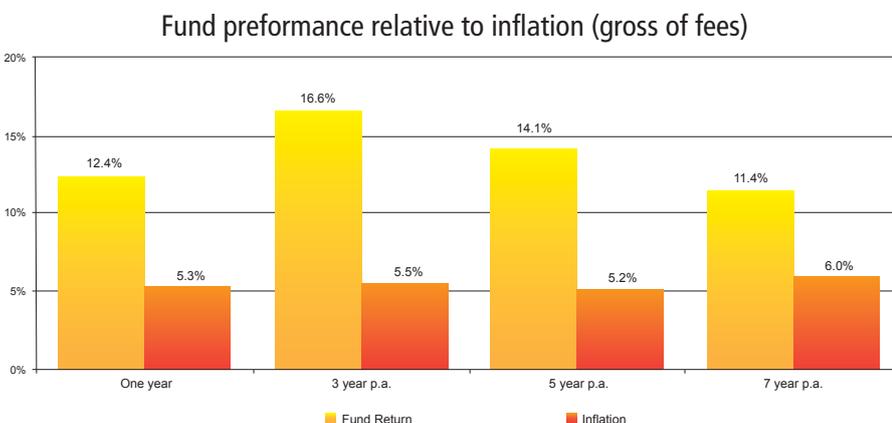
|                         |         |
|-------------------------|---------|
| Member                  | R20 000 |
| Spouse                  | R20 000 |
| Children 14 to 21 years | R20 000 |
| Children 6 to 13 years  | R15 000 |
| Children 0 to 5 years   | R7 500  |
| Still born              | R5 000  |

The funeral benefit ceases at the age of 70 years. No changes were made to the Funeral benefit costs.

# INVESTMENT OVERVIEW

Towers Watson **DEON HUGO**

Below is an Investment Overview for the Fund's Annual Report, covering the period from 1 January 2014 to 31 December 2014.



## THACSA PERFORMANCE

The Fund targets an above-inflation return over the medium to long term. The Fund's investment strategy also focuses as a secondary target on preserving capital and aims to minimise capital losses over any rolling one year period.

The chart on the left shows the Fund's annual performance (gross of management fees) versus inflation (measured by the annual change in CPI as published by Statistics-SA) for periods to 31 December 2014.

# INVESTMENT OVERVIEW

Towers Watson **DEON HUGO**

Over 2014 the Fund performed well, outperforming inflation by over 7%. For the past three, five and seven years the Fund has also exceeded inflation by a considerable margin. The Fund's short term performance (as shown by the rolling one year returns in the graph below) has been somewhat variable over time which is largely a function of the inherent volatility of investment markets. Notwithstanding this variability, the Fund's conservative strategy has meant it was less affected than many other similar market-linked funds during the financial crisis period of 2008/09, and the Fund has sustained a very good level of performance since then. Subsequent to the financial crisis the equity markets have seen very good returns and the Fund has benefited from this.

Fund's one year return over time (gross of fees)



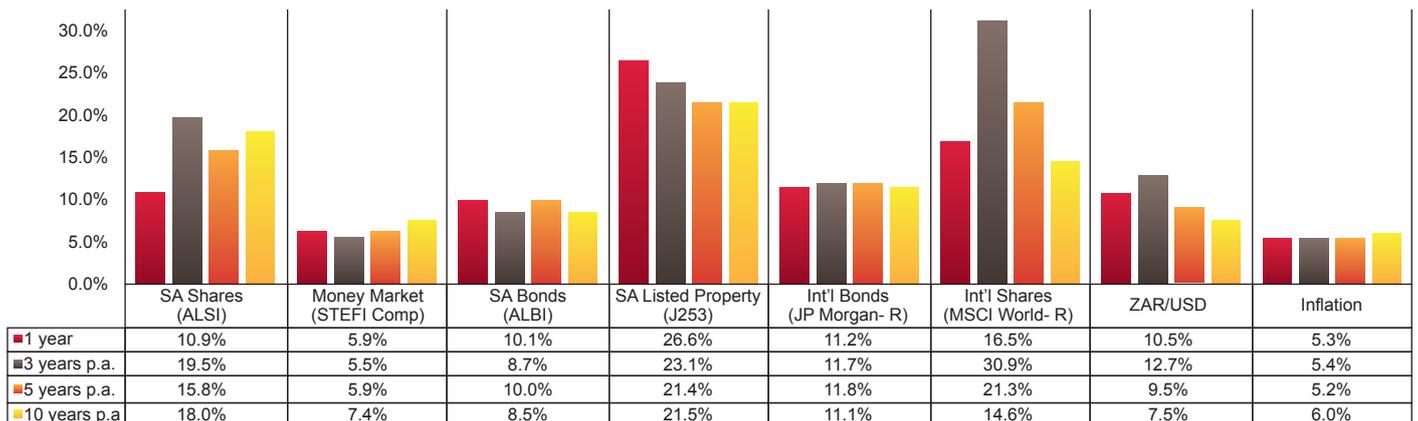
Members should note that the Fund has a more conservative risk profile than many "market-linked" funds available, as both young and older members are invested in the same investment strategy.

## HOW HAVE THE MARKETS DONE?

Global markets were highly volatile during 2014, as investors became increasingly concerned about the levels of risk present in global markets and economies. SA equities performed well in the first half of the year, but were also affected by global market concerns and the weak state of the South African economy during the year. Declining commodity prices, weak Chinese demand and electricity constraints also had a negative impact on the performance of certain sectors of the local equity market.

SA listed property was the best performing asset class in 2014 aided by improved performance of SA bonds. Global equities did not reproduce 2013's exceptional returns but performed well on a relative basis (the performance in rand terms was significantly increased by the depreciation of the rand to the US dollar). SA equities lagged global stocks (in rand terms) and only marginally outperformed SA bonds over the year. Local resource shares continued to struggle in 2014 and significantly lagged the financial and industrial sectors of the local equity markets. Local bond performance was an improvement on 2013, although international bonds (in rand terms) also outperformed local bonds in 2014.

## Major index returns: up to ten years



## WHAT ARE THE RISKS TO THE MARKET?

Central bank policy has caused asset prices to rise significantly over the past several years and from current levels future returns are expected to be below their longer term average. South Africa remains quite dependent on global capital and is particularly vulnerable to capital flows out of emerging markets which would likely impact both our equity and bond markets should anticipated rate rises in the US materialise.

Global economic growth over the medium term is expected to be more subdued as the world continues to deal with a large debt overhang. Chinese demand for commodities, economic growth in our major trading partners (mostly EU) and central bank policy domestically and abroad will continue to have considerable impact on the performance of SA financial markets.

Going forward, improvement of the domestic economy will hinge on how effective the government is in dealing with infrastructural constraints (mostly power generation) as well as competitiveness (mostly labour) issues.

# ACTUARIAL FEEDBACK

Valuator, Momentum Employee Benefits **SEAN NEETHLING**

BSc CFP® FIA FASSA

## ACTUARIAL VALUATION

The Pension Funds Act requires the Fund to appoint a Valuator and carry out a statutory actuarial valuation at least once every three years. Statutory valuation reports are submitted to the Registrar of Pension Funds for review.

The purpose of an actuarial valuation is to:

- determine the financial condition of the Fund
- assess the allocation of contributions between retirement benefits, risk benefits and expenses
- verify the reserve accounts
- review the investment return allocated to Active Members and Dormant Members
- examine the impact of any changes during the inter-valuation period

The valuation acts as a check on the administrative processes and operations of the Fund. This helps ensure that members receive the correct benefits when they leave the Fund. The Valuator alerts the Trustees to special issues that may require attention.

The last statutory actuarial valuation was carried out as at 31 December 2011 and the Fund was reported to be in a sound financial condition. This means that the Fund held sufficient assets to meet the full benefits earned by Active Members represented by their individual savings accounts or "members' Shares". The funding level of the Fund Account for Active Members was thus 100% (assets divided by liabilities). The Fund's year end was changed to 31 May and an actuarial valuation was carried out as at 31 May 2013. The year end was changed back to 31 December and the interim actuarial valuation as at 31 December 2014 is underway.

## DORMANT MEMBERS

The hospitality industry is characterized by high turnover of staff, as well as by staff transferring from one employer to another. As a result a large number of former members' benefits remain in the Fund either to be claimed on retirement or as unclaimed benefits. The Fund actively attempts to locate these Dormant Members in order to pay the benefits due. However, a large number of Dormant Members simply cannot be found.

The Fund holds a *Dormant Member Contingency Reserve* to meet the claims in full of any former members that are located or that eventually claim their exit benefit from the Fund.

While a proportion of these members might never claim their benefits, the Financial Services Board currently does not allow retirement funds to release unclaimed benefits as surplus for distribution to other stakeholders such as the Active Members.

## ACTUARIAL VALUATION

The following is a summary of the results of the actuarial valuations as at 31 December 2011 and 31 May 2013:

### MEMBERSHIP STATISTICS

| ACTIVE SERVICE MEMBERS                        | 31 December 2011 | 31 May 2013 |
|---|------------------|-------------|
| Number of members                             | 3 104            | 3 508       |
| Annual pensionable emoluments (R'm)           | 237.2            | 234.5       |
| Average annual pensionable emoluments (R'000) | 76.4             | 81.2        |
| Average age (years)                           | 38.8             | 37.8        |
| NUMBER OF DORMANT MEMBERS                     | 44 998           | 44 931      |

### FINANCIAL CONDITION

|  | R                 | 31 December 2011 | 31 May 2013   |
|--|-------------------|------------------|---------------|
|  | Return allocated: | 11.23% p.a.      | 17.98% p.a.   |
| Total net assets                                 |                   | 321 996 238      | 406 725 179   |
| Less: Dormant Member Contingency Reserve Account |                   | (162 149 120)    | (199 404 298) |
| Less: Cost Account                               |                   | 0                | (363 531)     |
| Assets of the Fund Account                       |                   | 159 847 118      | 206 957 350   |
| Total active members' Shares of Fund             |                   | 159 847 118      | 201 707 554   |
| Amount to be allocated                           |                   | 0                | 5 249 796     |
| Surplus  |                   | 0                | 0             |
| FUNDING LEVEL OF THE FUND ACCOUNT                |                   | 100%             | 100%          |

The Fund was in a sound financial condition as at the valuation date.

# FINANCIAL RESULTS AND STATEMENTS

As at **31 DECEMBER 2014**

The Fund can confirm that we received a clean audit report for the financial period ending 31 December 2014. The 2014 Financial Statements were audited by the Fund's Auditors, PriceWaterhouse Coopers, approved by the Board of Trustees and submitted to the Financial Services Board.

|                                    | 31 December 2014   | 31 December 2013   |
|------------------------------------|--------------------|--------------------|
|                                    | R                  | R                  |
| <b>ASSETS</b>                      |                    |                    |
| <b>Non-current assets</b>          | <b>537 133 858</b> | <b>487 097 429</b> |
| Investments                        | 537 133 858        | 487 097 429        |
| <b>Current assets</b>              | <b>7 658 183</b>   | <b>14 872 094</b>  |
| Accounts receivable                | 321 455            | 2 574 026          |
| Bank                               | 5 914 923          | 6 266 942          |
| Transfers receivable               | -                  | 5 156 241          |
| Contributions receivable           | 1 421 805          | 874 885            |
| Total assets                       | 544 792 041        | 501 969 523        |
| <b>FUND AND LIABILITIES</b>        |                    |                    |
| <b>Member's funds</b>              | <b>250 123 522</b> | <b>230 295 084</b> |
| Members' individual accounts       | 248 788 456        | 220 563 562        |
| Amounts to be allocated            | 1 335 066          | 9 731 522          |
| <b>Reserves</b>                    | <b>240 673 364</b> | <b>213 771 124</b> |
| Reserve accounts                   | 240 673 364        | 213 771 124        |
| Total funds and reserves           | 490 796 886        | 444 066 208        |
| <b>Non-current liabilities</b>     | <b>42 581 599</b>  | <b>33 296 723</b>  |
| Unclaimed benefits                 | 42 581 599         | 33 296 723         |
| <b>Current liabilities</b>         | <b>11 413 556</b>  | <b>24 606 592</b>  |
| Transfers payable                  | 2 658 571          | 1 052 787          |
| Benefits payable                   | 6 209 533          | 20 550 189         |
| Accounts payable                   | 2 545 452          | 3 003 616          |
| <b>TOTAL FUNDS AND LIABILITIES</b> | <b>544 792 041</b> | <b>501 969 523</b> |

## ON THE COMMUNICATION FRONT

Sash Consulting **CATHY VORSTER**

During 2014, we upgraded and launched the Fund's website, which serves as the central hub containing all essential Fund information including; Fund benefit information, claim processes, financial and audit statements, Fund management, the Rules of the Fund as well as communication issued by the Fund throughout the year.

The site can be accessed by using a PC, tablet or smart phone and has useful tools which you can use to update your personal information, subscribe to our electronic communication network and even request a member education session at your employer's premises. You can now also download a beneficiary nomination form directly off the website, as and when you need to update your details.

Over the past year we continued with our planned communication activities, which included news posters at employer offices, employer training sessions as well as member education sessions. We had fantastic feedback from our members, thank you to everyone who attended. We also wish to express our sincere appreciation to the HR offices who assisted in co-ordinating the sessions.

As mentioned by the Chairman, our next project will be the roll out the new Life Stage Investment Strategy during the course of the year. This forms an important part of your retirement planning, so please be on the lookout for dates and times of the sessions which will be made available on the Fund website and to your HR department. If we have your cell phone number on record, you will also receive a sms notification from us, inviting you to the session.

