



tourism,
hospitality
& catering
pension fund



A life of service
deserves a service for life

ANNUAL REPORT

year ending 2015



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thacsa

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FUND CONTACT DETAILS

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THACSA Pension Fund
1 Adderley Street
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Cape Town
8001

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P O Box 836
Cape Town
8000

BOARD OF TRUSTEES as at 31 December 2015

**Employer Trustees
(Fedhasa Representatives):**
**Employer Trustees
(Non-Fedhasa Representatives):**
Member Trustees:
Saccawu:
Hotelicca:
Independent Trustee:
Principal Officer:

A Nold (Chairman); S Veley; C Godenir;
S Faussner-Ringer; M. De Witt;

R Grosch; H von Zahn
C Booil (Deputy-Chairman); H Ngqoro (alternate);
W Mtimkulu; A Green; M Magega
V.Sotyifa; C. Kaptein-lujabe; X.Tamane
C Bösenberg
K Barnes

Indemnity

The Tourism, Hospitality & Catering Pension 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 there is any conflict between the information in this document and the actual Rules of the Fund, the actual Rules of the Fund will prevail.

CHAIRMAN'S REVIEW

In the 2014 Annual Report, I announced that the Board of Trustees made a decision to implement your Fund's Life Stage Investment Strategy, which provides individual members with a suitable amount of exposure to risk, based on their age. In line with this, the first step to create an alternative investment strategy that suits the needs of our members was successfully implemented in July 2015.

To allow for further flexibility, the Fund introduced Individual Member Choice (IMC) effective May 2016. Detailed member communication is available on our website www.thacsa.co.za to assist members in making informed decisions in this regard. The IMC serves as an alternative choice to the Life Stage Investment option, allowing members to choose how their Fund credit is invested between the available portfolios.

Did you know that registering online as a web-user enables you to view and update your personal details and beneficiary nomination form, as well as to access your latest Fund value on a daily basis?



We realise that our members place a large amount of faith in the Board of Trustees by entrusting us with one of the largest investments of your lifetime, your retirement savings. In our ongoing efforts to ensure good practise, your Trustees participated in specialised training programmes in the year under review. These programmes are based on the Registrar of Pension Funds' guidelines on good governance for retirement funds and are presented by the Financial Service Board. The Financial Service Board also conducted a compliance visit during October 2015 and we are eagerly awaiting their feedback.

In 2015 our Communications Sub Committee in conjunction with Sash Consulting again entered the Institute of Retirement Funds' (IRF) Communication Challenge and the quality of the communication undertaken by your Fund was rewarded by the IRF. THACSA was declared the overall winner in the Communications Strategy (Small Funds) Category and was awarded a Merit Certificate for Educational Posters in the Small Fund Category.

I would like to thank the Board of Trustees and the Principal Officer for their dedication and commitment to the Fund. To our professional team of excellent service providers – thank you for your invaluable input and support over the past year.

~ Andy Nold
Chairperson of the THACSA Pension Fund

FROM THE PRINCIPAL OFFICER'S DESK

The Board of Trustees consists of seven employer appointed trustees, seven member appointed trustees and one 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.

During the course of the year, Mrs Michele De Witt was appointed by Fedhasa to serve as an Employer Trustee on the Board of Trustees.

The Board of Trustees met six times and the subcommittees met a further sixteen times in 2015.

The attendance at the Board meetings was 92%. 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 numerous other business commitments.

The Board of Trustees decided that every Trustee should undertake the Trustee toolkit training programme developed by the FSB. By the end of the year, five Trustees and the Principal Officer had successfully completed the course.



The Investment Sub Committee, under the guidance of Deon Hugo of Towers Watson, implemented the Life Stage Investment strategy with effect from 1 July 2015. The value of the Fund increased from R 544 792 041 as at 31 December 2014 to R 573 539 443 as at 31 December 2015. The Board of Trustees terminated the mandate of Regarding Capital Management as one of the Fund's asset managers during 2015. Deon Hugo of Towers Watson elaborates on the investment performance on page 5.

The Administrative and Audit Subcommittee monitors the performance of the administrators. During the course of 2015 the administration fees had to be adjusted to meet additional work load placed on the administrators and the fees were increased to 0.64% of pensionable remuneration.

The underwriters of the Group Life Assurance and Funeral Benefits, following a rate review, gave notice of its intention to increase premiums on these benefits. A re-broking exercise was conducted. As a result the Fund was able to accept the premium of 1.311% of pensionable remuneration as the best available rate in respect of the Group Life Assurance and negotiated a 5.4% reduction in the Funeral Benefit premium from R 15.65 per member per month to R 14.80 per member per month.

~ Kevin Barnes
Principal Officer

continued on page 4

FROM THE PRINCIPAL OFFICER'S DESK

Members are welcome to visit the Thacsa Helpdesk which is located at No. 1 Adderley Street, Cape Town, 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 4 of this report. Christa also provides an insight into regulatory compliance on page 5 of the report.

Members are urged to complete the member update form which accompanies the annual benefit statement. This will assist the Fund to implement its long term strategy of being able to communicate directly with members.

Charné Viljoen of Sash Consulting provides insight into Fund communication on page 8.

Some of the most important aspects of operating a pension fund are in the numbers. Sean Neethling, the Fund's Actuary, provides details of the Fund's Statutory Actuarial valuation for the period ending 31 December 2014 on page 8 and an extract from the Fund's audited financial statements for the year ending 31 December 2015 can be found on page 9.

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 2015 were:

Administration:	MOMENTUM RA
Actuarial Services:	MOMENTUM
Death Benefits:	MOMENTUM
Funeral Benefits:	MOMENTUM
Investment Consultants:	TOWERS WATSON

Beneficiary Funds:	ABSA TRUST
Communication:	SASH CONSULTING
Disability Benefits:	SANLAM
Auditors:	PRICEWATERHOUSECOOPERS
Housing Loans:	STANDARD BANK

ADMINISTRATOR'S OVERVIEW

Prepared by Christa Bothma (Momentum Retirement Administrators)

Fund Membership

The membership of the Fund remains stable, with new participating employers continuing to join the Fund. In 2015, 1272 new members joined the Fund and 9 new participating employers commenced participation in the Fund. During 2015, Momentum Retirement Administrators paid a number of claims within the required service level agreement, herewith are some statistics outlining the claim payments.



Exit Type	Total
Death	14
Retirement	39
Withdrawal	1236
Grand Total	1289

The increase in withdrawal claims (from 2014 to 2015) is as a result of the Board of Trustees making a concerted effort to trace members to whom benefits are due and who did not claim their benefits at the time of leaving service.

Annual Benefit Statements

The Benefit Statements for the period 01/06/2015 – 31/12/2015 were distributed during the month of May 2016 to all participating employers. Please contact your employer if you have not received your Benefit Statement or the Thacsa Helpdesk, to provide you with a copy. A decision was made by the Board of Trustees to issue benefit statements twice a year. So, going forward, you will be receiving two benefit statements annually.

Saving for retirement

Members are encouraged to preserve their withdrawal or retrenchment benefit to keep your retirement savings intact when leaving service. Of the 1236 withdrawal claims paid during 2015, only 21 members preserved their withdrawal benefit. The balance of more than 1200 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 people start saving too late, spending their retirement benefits when changing jobs, or not seeking 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 date.

LEGAL AND TECHNICAL UPDATE

Prepared by Christa Bothma (Momentum Retirement Administrators)

Rule Amendments

Since the last annual report, one rule amendment has been submitted to, and approved by the Financial Services Board:

Amendment number	Detail	Reason	Reason
2	Member individual investment choice	To allow members to have their individual choice in selecting investment portfolios.	1 July 2015

Summary of Risk Benefits

Description	Benefit	Costs												
Group Life Assurance (Death Benefit)	Four (4) times annual pensionable remuneration plus share of fund	With effect from 1 October 2015 the rate for Group Life Assurance costs increased from 1.14% to 1.311% of pensionable salaries.												
Income Protection (Disability Benefit)	75% of your monthly pensionable remuneration	No changes were made.												
Funeral Benefits	<table border="1"> <tr><td>Member</td><td>R20 000.00</td></tr> <tr><td>Spouse</td><td>R20 000.00</td></tr> <tr><td>Children 14 to 21 years</td><td>R20 000.00</td></tr> <tr><td>Children 6 to 13 years</td><td>R15 000.00</td></tr> <tr><td>Children 0 to 5 years</td><td>R7 500.00</td></tr> <tr><td>Stillborn</td><td>R5 000.00</td></tr> </table>	Member	R20 000.00	Spouse	R20 000.00	Children 14 to 21 years	R20 000.00	Children 6 to 13 years	R15 000.00	Children 0 to 5 years	R7 500.00	Stillborn	R5 000.00	With effective from 1 October 2015 the Funeral cost has decreased from R15.65 per member per month to R14.80 per member per month.
Member	R20 000.00													
Spouse	R20 000.00													
Children 14 to 21 years	R20 000.00													
Children 6 to 13 years	R15 000.00													
Children 0 to 5 years	R7 500.00													
Stillborn	R5 000.00													

Tax changes effective 1 March 2016

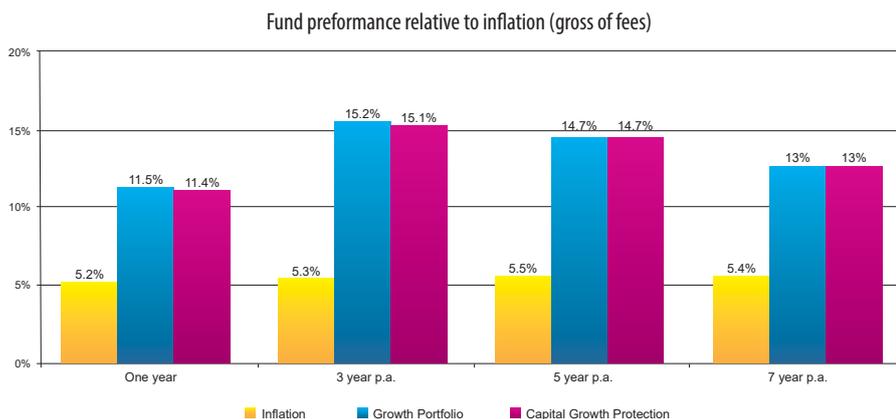
The following amendments have been implemented as of 1 March 2016:

- Minimum threshold on annuitisation for pension and retirement annuity funds**
 The minimum threshold for annuitisation for pension and retirement annuity funds has been increased from R75 000 to R247 500. This means that if the value of your pension at retirement is equal to or less than R247 500, then it is not compulsory to purchase a monthly retirement income, but the full amount may be taken in cash, subject to tax.
- Taxation of retirement fund contributions**
 All employer contributions to a retirement fund will be subject to fringe benefit tax (FBT).
- Tax deductibility of retirement fund contributions**
 You previously received a tax deduction on your employee contribution of up to 7.5% of your pensionable salary. As from 1 March 2016, the tax deduction was increased to 27.5% of the higher, of your remuneration for PAYE purposes, or your taxable income, capped at R350 000 per year.

INVESTMENT OVERVIEW

Prepared by Deon Hugo (Towers Watson)

Please find below an Investment Overview for the Fund's Annual Report, covering the period from 1 January 2015 to 31 December 2015.



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 below 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 2015.

The Fund was split into the Growth and Capital Protection portfolios in July 2015, when the Fund introduced the Life Stage Investment Model. Prior to that date, the total Fund returns have been applied to the Growth and Capital Protection portfolios to construct the return histories.

In 2015 both portfolios performed well, outperforming inflation by a comfortable margin. Over the past three, five, and seven years, the Fund's returns have 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)

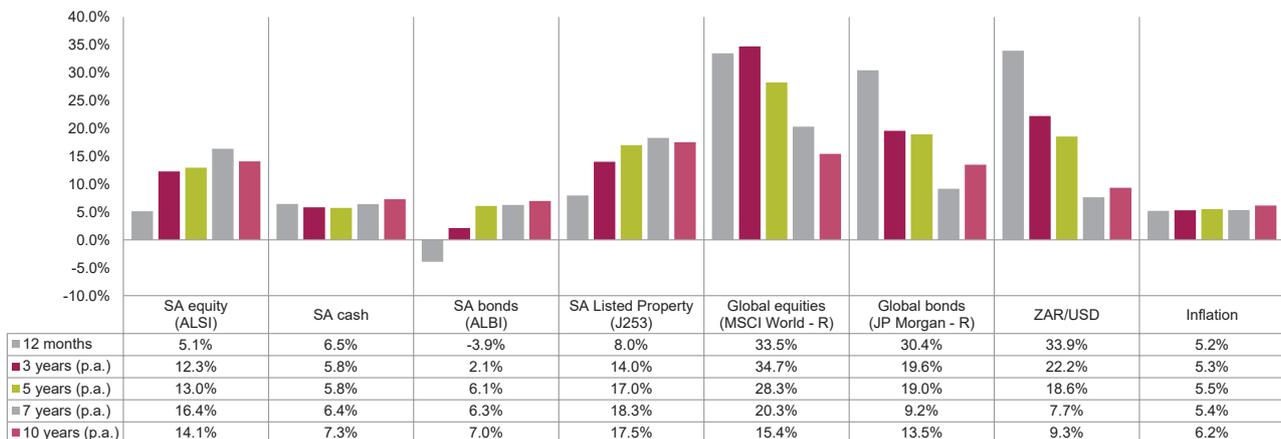


How have the markets done?

Global economic growth fears precipitated a year of heightened market volatility and depressed asset risk premia in 2015. The Chinese economic slowdown and falling oil prices underpinned a deteriorated growth outlook for 2015 and 2016, while geopolitical tensions in emerging markets dragged further on investor sentiment. The collective effects culminated in 2015 being the most difficult year for global stock markets since the financial crisis.

Heightened global market volatility and weak domestic fundamentals placed significant pressure on local markets in 2015. Specifically, China's economic slowdown affected commodity demand while ongoing electricity constraints, a lack of fixed investment, low and declining business confidence, high unemployment and structural problems weighed on investor sentiment. The effects have evidenced themselves in muted asset class returns and a deep rout in the rand during the year.

Major index returns



How have the markets done?

The rand sold-off sharply against most major currencies over the last year. The rand depreciated by 33.9% against the US dollar over the 2015 calendar year, bolstering the rand returns of global equities and bonds over the period.

Local bond markets have remained volatile as rand weakness, sovereign downgrades and higher US and local interest rates put upward pressure on bond yields. Nominal bonds emerged as the weakest asset class over the last year.

What are the risks to the market?

- Weak aggregate demand and deteriorating fundamentals have seen global economic growth prospects deteriorate over the last year. The most likely path for the global economy is that of moderating growth and policy support. In light of rising macro and endogenous risks, forward looking return expectations for global equities and bonds have worsened over the medium term. Depressed interest rates, high levels of debt and increased downside risk imply that asset class returns will likely be muted over the next three to five years.
- Besides the strain of global downside risks, the local economy is likely to continue facing headwinds in the face of power and water shortages, rising interest rates and inflation, poor infrastructure, political uncertainty and slowing growth in China. Downside risks to the local market leave domestic equities, bonds and the rand vulnerable to elevated market volatility as investor sentiment remains fragile.
- While the rand is generally viewed as undervalued, the currency is expected to remain under pressure in 2016. Idiosyncratic risks such as twin deficits, labour tensions, delays in fiscal consolidation and ongoing energy constraints will add additional strain to the weak currency.



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 such that may require attention.

The statutory actuarial valuation was carried out as at 31 December 2014. 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 99.7% (assets divided by liabilities).

Dormant Members

The catering 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 December 2014:

Membership Statistics

Active service members	31 December 2014	31 December 2011
Number of members	4 348	3 104
Annual pensionable emoluments (R'm)	323.9	237.2
Average annual pensionable emoluments (R'000)	74.5	76.4
Average age (years)	37.2	38.8
Number of Dormant Members	44 891	44 998

Financial Condition

	R	31 December 2014	31 December 2011
Return allocated:		15.8% p.a.	9.4% p.a.
Total net assets		490 796 886	321 996 238
Less: Dormant Member Contingency Reserve Account		(237 619 829)	(162 149 120)
Less: Cost Account		0	0
Assets of the Fund Account		253 177 057	159 847 118
Total active members' Shares of Fund		253 857 978	159 847 118
Amount to be allocated		(680 921)	0
Surplus		99.7%	100%
Funding level of the fund account		99%	100%

The funding level was slightly below 100%. This is due to normal processing and timing mismatches between the investment returns earned and the returns allocated to Members' Shares of Fund. The shortfall will be retained in the Fund Account and reviewed in the interim actuarial valuation of the Fund as at 31 December 2015.

Sean Neethling BSc CFP® FIA FASSA (Valuator - MMI Specialised Solutions)

The Actuarial Society of South Africa is the primary regulator in my professional capacity.

FINANCIAL RESULTS AND STATEMENTS

"The Fund can confirm that we received a clean audit report for the financial period ending 31 December 2015. The Financial Statements were audited by the Fund's Auditors, PricewaterhouseCoopers, approved by the Board of Trustees and submitted to the Financial Services Board."

	31 December 2015	31 December 2014
	R	R
Assets		
Non-current assets		
Investments	565,637,599	537,133,858
Current assets	7,901,844	7,658,183
Accounts receivable	3,648,931	321,455
Bank	1,516,392	5,914,923
Transfers receivable	897,210	-
Contributions receivable	1,839,311	1,421,805
Total assets	573,539,443	544,792,041
Fund and Liabilities		
Members' funds and surplus account	264,020,741	250,123,522
Members' individual accounts	257,444,237	248,788,456
Amounts to be allocated	6,576,504	1,335,066
Reserves		
Reserve accounts	254,670,398	240,673,364
Total funds and reserves	518,691,139	490,796,886
Non-current liabilities		
Unclaimed benefits	43,910,408	42,581,599
Current liabilities	10,937,896	11,413,556
Transfers payable	1,309,526	2,658,571
Benefits payable	7,195,017	6,209,533
Accounts payable	2,433,353	2,545,452
Total Funds and Liabilities	573,539,443	544,792,041

ON THE COMMUNICATION FRONT

Prepared by Charné Viljoen (Sash Consulting)

2015 has been a very productive year as we continued with our planned communication activities, which included news posters at employer offices, employer training sessions as well as member education sessions. We are pleased to report back that there has been a positive increase in workshop attendance and an increase in number of workshop requests. We have also experienced an increase in invitations to conduct Inductions, where we have an opportunity to meet new members joining the fund. This confirms that members are taking a keen interest to learn more about their Fund and the importance of saving towards retirement.

As mentioned by our Chairman, the Fund has introduced Individual Member Choice, which is an alternative choice to the Life Stage Investment option which was introduced 1 July 2015 allowing members to choose how their Fund credit is invested between the available portfolios. This is another important step in your retirement planning and we look forward to helping you understand the investment options available to you during our upcoming member education workshops. You are invited to request a member education workshop by visiting our website.

Remember, updating your personal details no longer has to be complicated as you can do this online by registering as a web user, following these steps:

- Visit the Fund's website www.thacsa.co.za
- Select the Login / Register button
- You will then be directed to the interactive website page where you are required to click on the "Login" button and choose Thacsa Pension Fund
- When you register, you are required to enter your ID number, employee number, email address, enter and confirm a password of your choice
- To Login thereafter, just enter your user details and chosen password

Updating your details with the Fund on a regular basis ensures you receive all your communication from the Fund. You also have the option to subscribe to our electronic mailing list, ensuring you get your information hot off the press!

We look forward to extending the Fund's membership further by empowering more members to take charge of their golden years.