

tourism,
hospitality
& catering
pension fund



A life of service
deserves a service for life

ANNUAL REPORT

Year ending 2016



Chairman's review

PREPARED BY ANDY NOLD

Adequate planning for retirement is becoming increasingly important. As a population we are living longer and the savings from our working life have to last longer than ever before if we are to maintain a comfortable lifestyle in retirement. I am pleased to report to our members that the Thacsa Pension Fund is in solid financial shape and performing in line with our goals. However, every member must continue to do their part; preserving your retirement savings when changing jobs is one of the most important things to do.

Global financial markets continue to be volatile. South Africa has seen a great deal of social unrest and our economy, now in official recession, is struggling with unemployment at its highest level in years – particularly for the youth. Terrible drought conditions in the Western Cape and the recent devastating fires in Knysna and the surrounding Garden Route have only added to an already challenging situation.

In the face of these challenges there are some positive notes though, with the tourism sector probably the sparkling light in our economy. Our country is regularly included among the top destinations in the world to visit. We are creating more jobs than any other sector and these benefits are spread across the economy – from large international hotels in the cities to smaller B&B establishments in outlying areas.

Over the past three years, we have made advances in tailoring our Pension Fund to meet the needs of its members. The introduction of Life-Stage Investing is a sound way to expose your investment to suitable risk based on the number of working years you have until retirement. Last year, the introduction of Individual Member Choice was another refinement to allow members the freedom to allocate their Fund Credit into a selection of three investment portfolios. Each of the three portfolios has specific investment and risk characteristics, allowing members to match their needs with the goals of the respective portfolio. It is always important though, before making any financial decision that can affect your retirement benefits, to consult with a financial advisor.

In spite of the general economic factors facing global and local markets, Thacsa continues to grow its member base and has achieved a number of significant milestones. In the year under review, we were awarded the Institute of Retirement Funds award for communication in the category "Excellence in the empowerment of HR partners with an education programme."

BOARD OF TRUSTEES

Employer Trustees

Fedhasa: A Nold (Chairman); C Godenir
S Faussner-Ringer; M. De Witt
R Grosch; H von Zahn; S Veley

Non-Fedhasa:

Member Trustees
Saccawu: C.Booi (Deputy Chairman), H.Nqoro (Alternate)
W.Mtimkulu, A. Green, M.Mageqa

Fedcrow:

K.Thabata, B.Halam, E.Hibana

This report is the formal closing of another year in Thacsa's history and it has been a successful one. However, good things don't just happen and there are many people contributing to our Fund's success. The Board of Trustees and Principal Officer work tirelessly to ensure the Fund is steered along the correct road, and the myriad of legislative and administrative tasks are managed efficiently. Our various service providers also play an extremely important part, bringing their knowledge to bear in their respective fields of expertise.

In conclusion, I encourage members to be active in their retirement fund and take an interest in what is happening with their money. Our online systems – web and smartphone based – are perfect ways for you to stay up to date with the details of your investment and benefits.

MILESTONES



One of our long-term objectives has been to increase our member and asset base as this gives us greater influence when negotiating benefits for our members.

- 1 344 new members joined in 2016.
- Total assets now exceed R600 million.



The financial performance of our two portfolios is in line with and exceeds, our stated objectives.

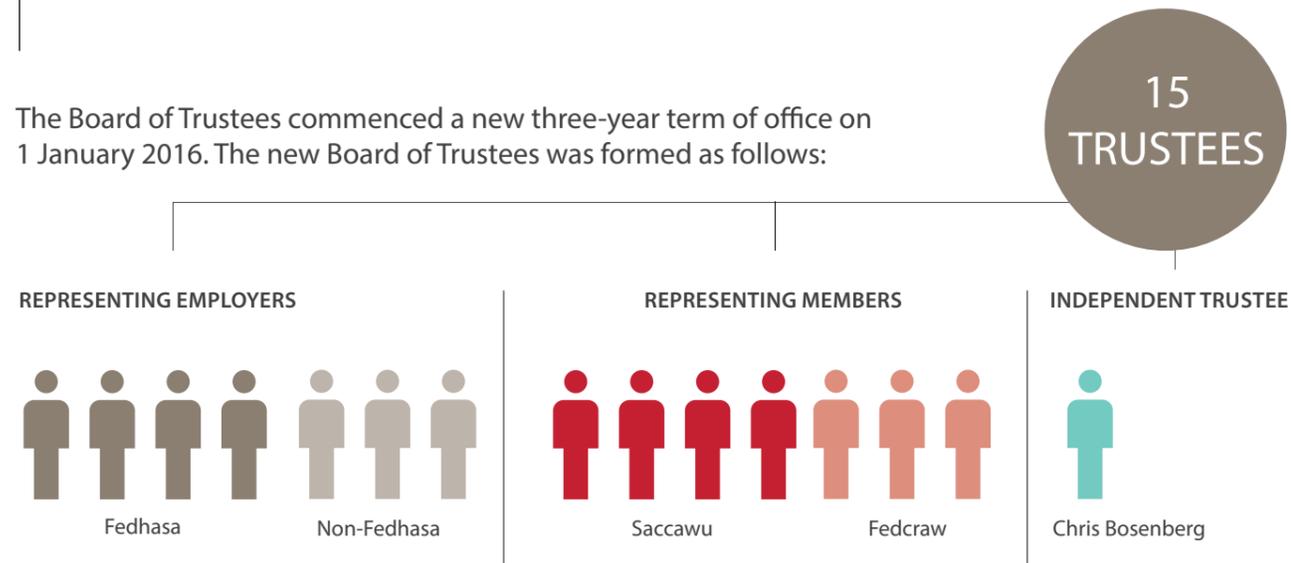
- Over 5, 7 and 10 years the Growth portfolio exceeded its mandated 5% above inflation benchmark.
- The Capital Protection portfolio exceeded its 4% above inflation goal over 5, 7 and 10 years.



From the Principal Officer's desk

PREPARED BY KEVIN BARNES

The Board of Trustees commenced a new three-year term of office on 1 January 2016. The new Board of Trustees was formed as follows:



Hotelicca had experienced a decline in membership among employers who contribute to the Fund, and its participation on the Board of Trustees ceased on 31 December 2015.

Fedcraw's membership among participating employers in the Fund had grown to the extent that they were allocated the three seats previously filled by Hotelicca.

The Fund successfully gained exemption from Section 7A of the Pension Funds Act (PFA) thus enabling the affiliated trade unions to represent the members.

Andy Nold and Crosby Booi were re-elected to serve a further three-year term as Chairman and Deputy Chairman respectively.

The sub-committees were reconstituted. Andy Nold was re-elected as Chairman of the Administration and Audit, as well as the Legal sub-committees. Hugh von Zahn was re-elected as Chairman of the Communication sub-committee and Renier Grosch was re-elected as Chairman of the Investment sub-committee.

The Board of Trustees met six times during 2016 and the sub-committees a further 15 times. Attendance at Board and Committee meetings was 83.7% in 2016. This represents a tremendous commitment to the Fund by the Trustees, especially as they are not employed by the Fund or the Administrator and have numerous other business commitments.

The Board of Trustees resolved in 2015 that all Trustees should undertake the trustee toolkit training programme developed by the FSB. By the end of the year, 12 Trustees and the Principal Officer had successfully completed the course.

Following a rate review by the underwriters, the Public Health Benefit (disability) premium was reduced from 0.768% to 0.614% of salary. This change increased the investment portion of members' contributions.

The Fund assisted two members in successfully claiming the disability benefit in 2016.

The Fund offers a pension-backed housing loan in conjunction with Standard Bank. Members may borrow from Standard Bank to buy or upgrade their fixed property using their pension fund benefit as collateral. The number of members who made use of the loan facility stood at 38 at the end of 2016. The value of the loans granted was R533 844.38 as at year end.

The Board of Trustees is responsible for the distribution of death benefits in terms of Section 37C of the PFA. As at the end of the year, the Fund had put R1,8 million in beneficiary funds for the benefit of the minor children of deceased members.

The Fund also offers a funeral benefit. The member, the member's spouse and children under age of 21 are covered by this benefit. In 2016, 25 benefits were paid out to cover funeral costs.

Members are encouraged to visit the Fund's HelpDesk at 1 Adderley Street, Cape Town should they require any assistance or information on the Fund. Alternatively, members can visit the website www.thacsa.co.za

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 in 2016 were:

Administration	MMI	Beneficiary Funds	Absa
Actuarial Services	MMI	Communication	Sash Consulting
Death Benefit	MMI	Disability Benefit	Sanlam
Funeral Benefit	MMI	Auditors	Price Waterhouse Coopers
Investment Consultant	Willis Towers Watson	Housing Loans	Standard Bank
Bankers	Nedbank		

Administrator's overview

PREPARED BY SYLVIA PIETERSEN (MOMENTUM RETIREMENT ADMINISTRATORS)

Fund membership

The membership of the Fund remains stable with new participating employers still joining the Fund. During 2016, 1 344 new members joined the Fund and nine new employers commenced participation in the Fund. During 2016, Momentum Retirement Administrators paid a number of claims within the required service level agreement. The table alongside indicates the reasons for withdrawal from the Fund.

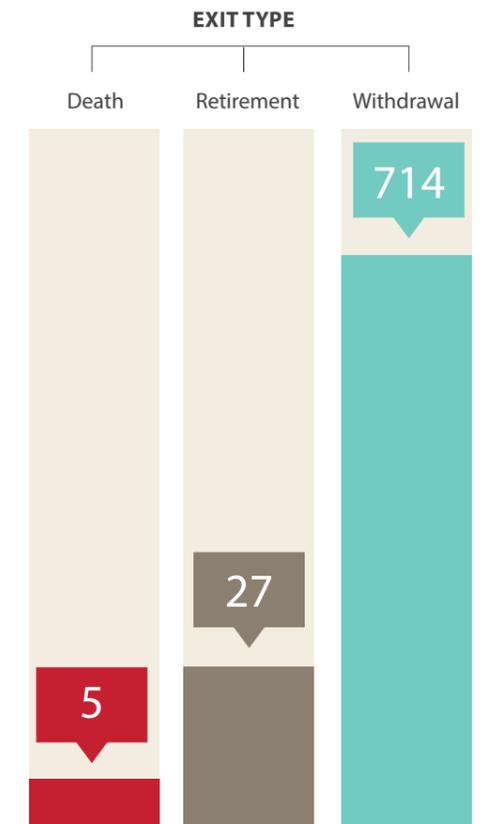
Annual Benefit Statements

The Benefit Statements for the first six months ending June 2016 were distributed during the month of September 2016 to all participating employers, and the Benefit Statements for the second six months ending 31 December 2016 were distributed during the month of May 2017. Please contact your employer if you have not received your Benefit Statement. Alternatively, the Thacsa HelpDesk can provide you with a copy.

Saving for retirement

Members are encouraged to preserve their withdrawal or retrenchment benefit when leaving service before retirement. This will keep their retirement savings intact. Of the 746 withdrawal claims paid during 2016, only 22 members preserved their withdrawal benefit. The balance of more than 700 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, they spend their retirement benefits when changing jobs or they do not get expert advice when making changes. 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 SYLVIA PIETERSEN
(MOMENTUM RETIREMENT ADMINISTRATORS)

RULE AMENDMENT

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

Amendment number:
3 Deferral on Retirement

REASON

To allow members to postpone receiving a Retirement Benefit and remove the requirement for a Trustee Resolution.
Effective date: 1 January 2016

Summary of Risk Benefits

Description	Benefit	Costs
Group Life Assurance (Death Benefit)	Four times annual pensionable remuneration plus share of fund	Rate remains unchanged at 1.311% of pensionable salaries.
Income Protection (Disability Benefit)	75% of monthly pensionable remuneration	With effect from 1 November 2016, rate decreased from 0.768% to 0.614% of pensionable salaries.
Funeral Benefits	Member	R20 000
	Spouse	R20 000
	Children 14 - 21 years	R20 000
	Children 6 - 13 years	R15 000
	Children 0 - 5 years	R 7 500
	Stillborn	R 5 000

Retirement Lump Sum Benefits

Tax tables - 2018 tax year (1 March 2017 - 28 February 2018)

Withdrawal Benefit

Taxable income (R)	Rate of tax (R)
0 - 25 000	0%
25 001 - 660 000	18% of taxable income above 25 000
660 001 - 990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% of taxable income above 990 000

Retirement and Death Benefits or Severance Benefits

Taxable income (R)	Rate of tax (R)
0 - 500 000	0% of taxable income
500 001 - 700 000	18% of taxable income above 500 000
700 001 - 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

Actuarial feedback

FINANCIAL REVIEW AS AT 31 DECEMBER 2015
PREPARED BY SEAN NEETHLING BSC CFP® FIA FASSA
VALUATOR - MMI SPECIALISED SOLUTIONS

The actuarial valuation as at 31 December 2015 was completed in September 2016. This time frame is due to the various processes involved such as data collection, membership and accounts validation, calculations and reporting. The valuation as at 31 December 2016 is currently underway.

The review 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 financial review was carried out as at 31 December 2015. The funding level of the Fund Account for active members was 100.6% (assets divided by Members' Shares). This means that the Fund held sufficient assets to meet the full benefits earned by active members represented by their Members' Shares.

Dormant members

The hospitality industry is characterised by a high turnover of staff and people transferring from one employer to another. As a result, a large number of former members' benefits remain in the Fund as unclaimed benefits or are eventually claimed on retirement. The Fund actively attempts to locate dormant members to pay the benefits due.

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

Financial review

The following is a summary of the results:

Membership Statistics	31 December 2014	31 December 2015
Active service members		
Number of members	4 348	4 526
Annual pensionable salary (R'm)	323.9	353.3
Average annual pensionable salary (R'000)	74.5	78.0
Average age (years)	37.2	39.2
Dormant members	44 891	44 494

Financial Condition	31 December 2014 (R)	31 December 2015 (R)
Return allocated per annum	15.8%	10.5% (Growth Portfolio)
Total net assets	490 796 886	518 691 139
Less: Dormant Member Contingency Reserve Account	(237 619 829)	(254 613 419)
Less: Cost Account	0	0
Fund Account	253 177 057	264 077 720
Total active Members' Shares	253 857 978	262 562 103
Processing Reserve Account	(680 921)	1 515 617
Funding level of the Fund Account	99.7%	100.6%

THE PURPOSE OF THE FINANCIAL REVIEW 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 Cost Account of R2 568 185 was distributed to the Members' Shares. The results below are shown after the distribution. The Processing Reserve Account holds the balance of the Fund Account less the total active Members' Shares. The account amounted to R1.5 million as at 31 December 2015. The balance was retained in the account and will be reviewed at the next financial review.

Life Stage model

With effect from 1 July 2015, the Fund implemented a Life Stage model. In this model, assets underlying Members' Shares are automatically moved from a more aggressive portfolio to less aggressive ones as members approach retirement age. This is to minimise the potential for capital loss closer to retirement age when members' lump sum retirement benefit payments become due. The investment strategy consists of a slightly more aggressive Growth Portfolio, a conservative Capital Protection Portfolio and a Money Market Portfolio.

The investment returns allocated to Members' Shares over the year ending 31 December 2015 were as follows:

Investment returns allocated to Members' Shares			
Life Stage Portfolio	01/01/2015 – 30/06/2015	01/07/2015 – 31/12/2015	Year ending 31/12/2015
Growth Portfolio	4.9%	5.4%	10.5%
Capital Protection Portfolio	4.9%	5.5%	10.6%
Money Market Portfolio	4.9%	2.7%	7.6%



Investment overview

FOR THE YEAR ENDED 31 DECEMBER 2016

PREPARED BY WILLIS TOWER WATSON

The Thacsa Pension Fund uses two main investment portfolios to help grow and protect your retirement savings: the Growth Portfolio and the Capital Protection Portfolio. How the money that you have saved is invested across these two portfolios depends on your age and how long you have before retirement. Members under the age of 50 are fully invested in the Growth Portfolio, in order to take advantage of the longer time to retirement. Members above 50 are invested in a combination of the Growth and Capital Protection Portfolios, because the money you have saved needs to be more carefully protected as you get nearer to retirement.

The Growth Portfolio is designed to benefit when investment markets are performing well, but its performance will also be affected when markets perform poorly. It is important that savings remain invested in the Growth Portfolio for the long term. The Capital Protection portfolio is designed to avoid loss of capital, so its value should be less affected when investment markets perform poorly. However, this means that when markets perform well, it will not benefit as much as the Growth Portfolio will.

The investment performance (before deducting management fees) of the Growth and Capital Protection Portfolios for different periods ending 31 December 2016 is shown in the graph below. The performance is compared to inflation.

In 2016, the Fund's Growth portfolio return equalled inflation and the Capital Protection Portfolio return exceeded inflation. Over the last five years, both portfolios have achieved a return that is considerably higher than the inflation rate.

How have the markets done?

Since the savings are invested in investment markets, understanding how those markets have performed helps to explain how the investments of your retirement savings have performed.

Investment markets don't like surprises. And, as you may already know, 2016 was an eventful and somewhat confusing time for global markets. The unexpected vote for the UK to exit from the European Union (known as "Brexit") in June, and Donald Trump's unexpected victory in the US presidential election in December, sent shockwaves through global markets, and made international investors very uncertain about the future.

South Africa was not exempt from the uncertainty and rising risks experienced in the global economy and financial markets. The local economy has been experiencing weak growth for some time, and we also have significant political instability and social tensions to contend with, which continue to result in a lack of investor and business confidence.

Over the past year, South African bonds (a form of long-term debt) gave the highest return, followed by listed property. South African equities (shares in companies listed on the Johannesburg Stock Exchange) did not perform very well and the return over the last year was much lower than inflation. This is exactly the risk that has to be taken in order to achieve the growth needed over the long term. Returns from global investments were also poor over the shorter term, and this was made worse for South African investors due to currency movements.

What is not shown from these numbers, which measure returns over a particular period, is the extent to which markets rise and fall constantly based on the global and local news flow and investors' expectations for the future of the economy. Over the past year, markets have been extremely "volatile", meaning that the up and down pattern of the market has been more extreme than normal, as investors struggle to make sense of the political developments around the world and how they will affect the world's economies going forward.

What are the risks to the market?

There are a number of risks that investment markets globally, including the South African markets, are facing. Uncertainty around current and potential political developments pose a key risk, and this is especially topical in South Africa right now. In addition, South Africa is facing a poor economic outlook and drastic levels of unemployment, with little potential for improvement anticipated in the near term. Consumers are struggling with high levels of debt and businesses are struggling with rising input costs and weaker consumer spending.

Investment returns follow cycles - ups and downs - linked to the economic environment, which are in turn, impacted by the political environment. This means that after a period of sustained good performance, the investments become over-priced and a drop in the prices of the assets can be expected to follow. This is partly what you are seeing in the returns over the past year. The timing of such a drop in prices, as well as how far the prices may fall before beginning to recover, is extremely difficult to predict.

We have, until recently, gone through a period of very good investment returns and this is evident in the performance of the Fund.

It is very common for people to base their expectations of future investment performance on the performance of the past, especially the recent past. However, when it comes to investments, the past is not always a good indicator of future performance because of the number and complexity of the factors that combine to result in the actual investment performance experienced.

On this note, it is at times like these that retirement fund members must take care to ensure that their expectations of investment returns going forward are reasonable. Since we have experienced an "up-cycle" for some time now and are currently in a very difficult economic environment, we don't expect that the Fund's investments will continue to grow at the same pace in the coming few years, as they have in the past few years. This is part of the normal cycles of investment markets. Under the current conditions and expectations, we all need to

save more wherever we can, and it is of the utmost importance to keep what we have already saved invested in the Fund and to not withdraw these savings until reaching retirement.



Disclaimer

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This report is based on information available to Willis Towers Watson at the date of this material and takes no account of subsequent developments after that date. In preparing this report we have relied upon data supplied to us by third parties, in particular by the Fund's appointed investment managers. While reasonable care has been taken to gauge the reliability of this data, we provide no guarantee as to the accuracy or completeness of this data and Willis Towers Watson and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any errors or misrepresentations in the data made by any third party.

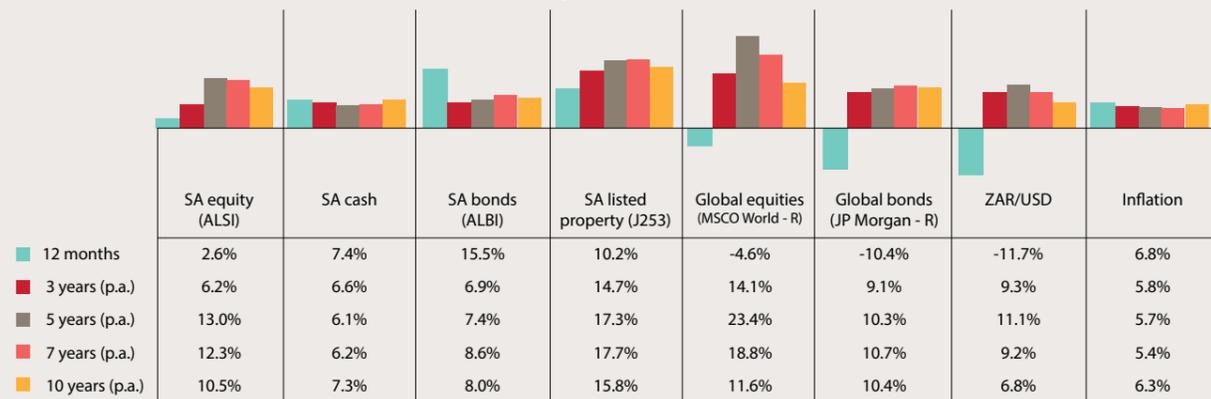
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Total Growth and Capital Protection Portfolio Performance



The chart below shows the returns of the main market indices over different periods to 31 December 2016.

Major index returns



Financial statements

AS AT 31 DECEMBER 2016

The Fund can confirm that we received a clean audit report for the financial year ending 31 December 2016. The 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 2016	31 December 2015
	R	R
ASSETS		
Non-current assets		
Investments	594 351 433	565 637 599
Current assets		
Transfers receivable	0	897 210
Accounts receivable	4 912 063	3 648 931
Arrear contributions	1 926 034	1 839 311
Cash at bank	2 320 274	1 516 392
Total assets	603 509 804	573 539 443
FUNDS AND LIABILITIES		
Members' funds		
Members' individual accounts	269 947 981	257 444 237
Amounts to be allocated	4 377 346	6 576 504
Reserves		
Reserve accounts	267 635 318	254 670 398
Total funds and reserves	541 960 645	518 691 139
Non-current liabilities		
Unclaimed benefits	47 282 887	43 910 408
Current liabilities		
Transfers payable	353 772	1 309 526
Benefits payable	12 109 528	7 195 017
Accounts payable	1 802 972	2 433 353
Total funds and liabilities	603 509 804	573 539 443

Communication update

PREPARED BY IMBONGI COMMUNICATIONS

Keeping members informed about their retirement savings and the issues around retirement is an important part of Thacsa's communication strategy. The website is one of the most important ways the Fund communicates with members. The decision has been made to refresh the site and improve some of its functionality. This project is underway and should be available for members' use during October 2017.

A number of member benefits have been improved since last year's annual report. Keep in mind that you can check on your benefits by visiting the website.

In addition to the Benefit Statements you receive detailing your Fund Credit, you can also check the live status of your retirement investment online via the website on your smartphone by downloading the app from one of the two stores. It's simple and quick and you can view the following information:

- Check your personal information and make sure it's correct
- View a summarised statement of your Fund Credit
- View your contribution statement
- View the unit prices for your fund
- View the investment portfolios products available for your fund.

TWO WAYS TO CHECK YOUR RETIREMENT INVESTMENT



Via smartphone:

- Go to iPlay for Apple phones and Play Store for android devices.
- Search "Momentum", to find the app: MRA Online 2.00.
- Download and install the app – it's free.
- Tap on the login icon top right and follow the instructions.
- Once registered, you will have live access to your retirement fund wherever you have internet connection.



Via the website:

- Go to www.thacsa.co.za and click on the Register/Login button.
- You will be directed to the MRA website and you must click on the "Login" button and choose Thacsa from the drop-down menu.
- When registering for the first time you will need to enter your ID number, employee number, email address, and enter and confirm a password of your choice. You will receive an email confirming your registration.
- Once registered, you just need your user details and password to login.

AN IMPORTANT REMINDER

One of your most important responsibilities is to ensure that your beneficiary information is correct. If you fail to keep this information updated, your wishes may not be exercised in the

event of your death. Take time to complete the beneficiary nomination form that can be downloaded from the website and emailed back to the HelpDesk or handed to your employer.



tourism,
hospitality
& catering
pension fund



A life of service
deserves a service for life

FUND CONTACT DETAILS

Thacsa Help Desk

Tel: 021 421 0190

Fax: 021 449 5882

Email: info@thacsa.co.za

Website: www.thacsa.co.za

Fund Registration Number: 12/8/20517

Physical Address:

THACSA Pension Fund, 1 Adderley Street
8th Floor, Paul Sauer Building
Cape Town, 8001

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