



tourism,  
hospitality  
& catering  
pension fund



A life of service  
deserves a service for life

# 2018 ANNUAL REPORT

For the year ending 2018

# Chairman's review

PREPARED BY ANDY NOLD

*Thacsa provides some of the best retirement benefits in the country and so it is critical that members understand what these are.*

Our industry remains one of the best performing sectors in the entire South African economy and we should be grateful for that. Tourist numbers increased by 1.7% to 8.6 million visitors in 2018 and it is estimated that 1 in 22 employed people are in the tourism business.

Three sectors – road passenger transport, food & beverage and accommodation – make up about 70% of those employed in our industry. Tourism spend is in the region of R277 billion per annum, that is about R1 million every two minutes!

Our pension fund serving the employees in this vibrant industry has significant responsibilities as we strive to make sure we offer the very best benefits to suit our members.

One area of concern to us is the low preservation rate when members withdraw their benefits before retirement. Of the 884 members that withdrew their benefits during 2018 only 37 transferred their money into another fund. This is extremely concerning. As a population we are living longer and our retirement savings may have to be spread over a longer time than ever before. If you are withdrawing from the Fund, please make sure you have discussed your options with an accredited advisor beforehand.

It is extremely important that members take a personal and active interest in the Fund. Aside from the retirement benefits, there are numerous others that can be accessed while still employed. This is an area that we are constantly looking at to see how we can make meaningful improvements.

One of the major differences that separates Thacsa from most other pension funds is the fact that our Trustees are involved in the tourism and hospitality industry – they are experienced and understand the special challenges that affect the members. Significantly, we can tailor benefits to best suit our needs.

On the financial side, the triennial statutory actuarial valuation was conducted during 2018 and the report completed. This process interrogates the administrative and operational processes as well as the financial viability of the Fund. The outcomes were positive and the actuary confirmed that the Fund was in a position to meet the members' benefits and all liabilities.

There is a contingency reserve to account for dormant members.

The strong investment returns of 2017 were not repeated in 2018. Along with global investment market challenges, South Africa faced a variety of additional factors such as low growth, high unemployment, high debt levels, low saving levels, political risk, and the poor state of various state owned enterprises with their drain on the national fiscus. However, we can be proud of the ongoing performance of our Fund in the face of these challenges: Thacsa's average annual returns have exceeded inflation by 8% since 2004.

It is our stated intention to improve the way the Fund communicates with its members and employing businesses. Last year we hosted our first member information session. We are looking to replicate similar workshops at other venues around the country – including KwaZulu Natal and Gauteng.

Thacsa provides some of the best retirement benefits in the country and so it is critical that members understand what these are. We are using SMS services as one of the tools to communicate with members, please ensure your employer has your current cell number, also remember to update the number if it changes.

One of the ways we are streamlining the way we interact with employers is by continuing to migrate them to our online administration gateway. This will make all the administrative tasks simpler and improve turnaround times. At the same time, we are encouraging members to make use of the website [www.thacsa.co.za](http://www.thacsa.co.za) to access their own account. Once registered on the system members have direct access to a wide range of information, including their Fund Credit on a real time basis. Directions on how to do this are listed on the inside back cover of this report. This can be done from a smartphone.

In closing, I would like to thank the Trustees for their dedication and hard work during 2018. Managing a pension fund of Thacsa's size required a lot of work from Trustees and the selected service providers. A vote of thanks to them all for their contributions over the past year.

March 2019

## BOARD OF TRUSTEES - 2018

### Employer Trustees

**Fedhasa:** A Nold (Chairman), K Augustyn, M de Witt, S Faussner-Ringer, C Godenir, B Ross  
S Veley

### Non-Fedhasa:

### Member Trustees

**Saccawu:** C Booï (Deputy Chairman), H Nqoro (Alternate)  
A Green, W Mtimkulu, M Mageqa  
**Fedcrow:** K Thabata, B Haram, E Hibana

### Independent Trustee:

C Bösenberg

### Principal Officer:

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 Rules of the Fund will prevail.

# 2018 FUND HIGHLIGHTS



Average annual returns have exceeded inflation plus 8% since 1 January 2004



New employers: 10



New members  
1 117



Death and disability cover without evidence of health for all members earning less than R1million per annum



6 month extended cover of death and funeral benefits on resignation, retrenchment, dismissal or retirement



Three month waiting period for disability benefit claims



Online and mobile phone access for members to check and update personal information



Funeral benefit is an industry-leading R30 000 for the member



Death Benefit  
4 X annual salary



17 members making use of the home loan facility



27 Number of employers using the online portal



More than 1 000 members registered to receive SMSs

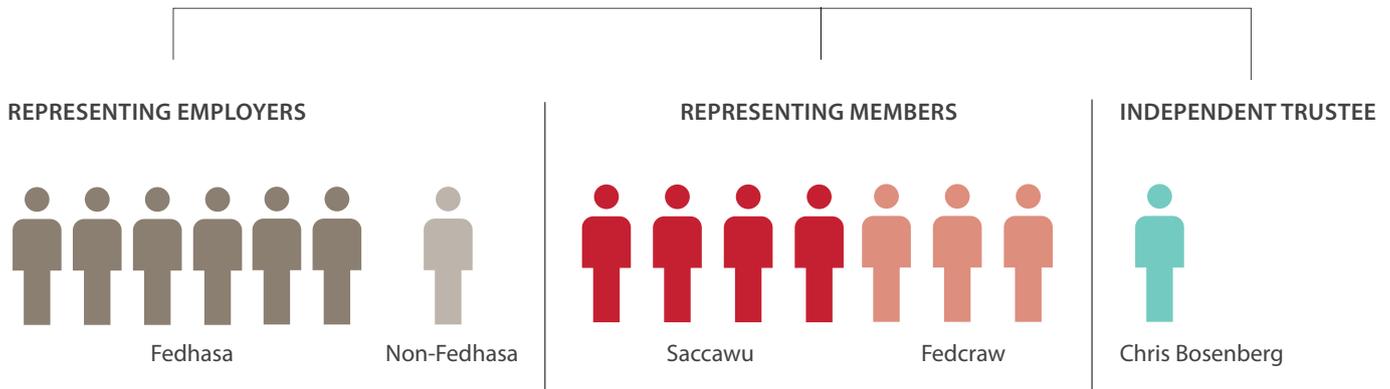
## 10-year average returns

**10.8%** Growth Portfolio

**11.1%** Capital Protection Portfolio

# From the Principal Officer's desk

PREPARED BY KEVIN BARNES



The Board of Trustees completed the third year of a three-year term during 2018. The in-depth investigation into the appointment of a benefit consultant was concluded with the appointment of Momentum Consultants and Actuaries late in 2018. Their operations to commence in January 2019.

The Board expects the appointment to result in the growth of employers and members joining the Fund. With growth in mind, the Trustees added a new contribution category to its list and amended the rules to provide for 5% employer and 5% employee contributions. This will make it more financially viable for some employers and members to start their journey towards a happy and contented retirement.

There were a number of changes on the Board of Trustees during 2018: Mr. Hugh von Zahn had resigned as a trustee towards the end of 2017 and Mr. Renier Grosch resigned with effect from 31 January 2018. They were replaced as Employer Trustees by Ms. Karin Augustyn and Mr. Barry Ross respectively.

The resignation of Mr. Grosch necessitated the appointment of a new Chairman of the Investment Sub Committee. Ms. Michele De Witt, and employer trustee, was duly appointed.

Mr. Chris Bosenberg, who has provided invaluable insight into pension fund matters as the Independent Trustee since appointment, was reappointed to serve another one-year term as the Independent Trustee.

Mr. Selwyn Veley, a longstanding employer trustee, indicated that he would not serve another term of office. The Board of Trustees bid him a fond farewell and thanked him for his wise council over the many years he served on the Board.

The Board of Trustees met four times during 2018 and the sub committees a further 17 times. The attendance at Board meetings and committee meetings was 87.79% in 2018. This represents the tremendous commitment the Trustees have to

the Fund, especially as they are not employed by the Fund or the Administrator and have numerous other business commitments.

In accordance with the Board's commitment to keeping the Fund benefits relevant to the membership, it was decided to increase the termination age for cover of members in respect of the disability benefit from age 60 to age 65. This resulted in a slight increase in the premiums from 0.594% to 0.713% with effect from 1 May 2018.

In terms of the funeral benefit the member, the member's spouse and children under age 21 are covered. In 2018, 27 benefits were paid out to cover funeral costs. The Fund also assisted two members in successfully claiming the disability benefit in 2018.

The Fund offers a pension-backed lending housing loan in conjunction with Standard Bank. In terms of this facility a member may borrow money to buy or upgrade their fixed property using their pension fund benefit as collateral. The number of members utilising this facility stood at 17 at the end of 2018. At which time the value of the loans was R436 281.45.

The Board of Trustees has to determine the distribution of death benefits in terms of S37C of the Pension Funds Act. During the year the Fund invested R1 438 906.29 into beneficiary funds for the benefit of seven minor children and one major dependant of deceased members.

Members are encouraged to visit the Fund's helpdesk which is housed at No. 1 Adderley Street, Cape Town should they require any assistance or information on the Fund.

Members are also encouraged to visit the Fund's website at [www.thacsa.co.za](http://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 2018 were:

<b>Administration</b>	MMI	<b>Beneficiary Funds</b>	Absa
<b>Actuarial Services</b>	Arch Actuarial	<b>Communication</b>	Imbongi Communications
<b>Death Benefit</b>	Sanlam	<b>Disability Benefit</b>	Sanlam
<b>Funeral Benefit</b>	Sanlam	<b>Auditors</b>	Price Waterhouse Coopers
<b>Investment Consultant</b>	Willis Towers Watson	<b>Housing Loans</b>	Standard Bank
<b>Bankers</b>	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. 1117 new members joined the Fund during 2018, and 10 new participating employers commenced participation in the Fund. During 2018, Momentum Retirement Administrators paid a number of claims within the required service level agreement. Below are some statistics dealing with the claim payments.

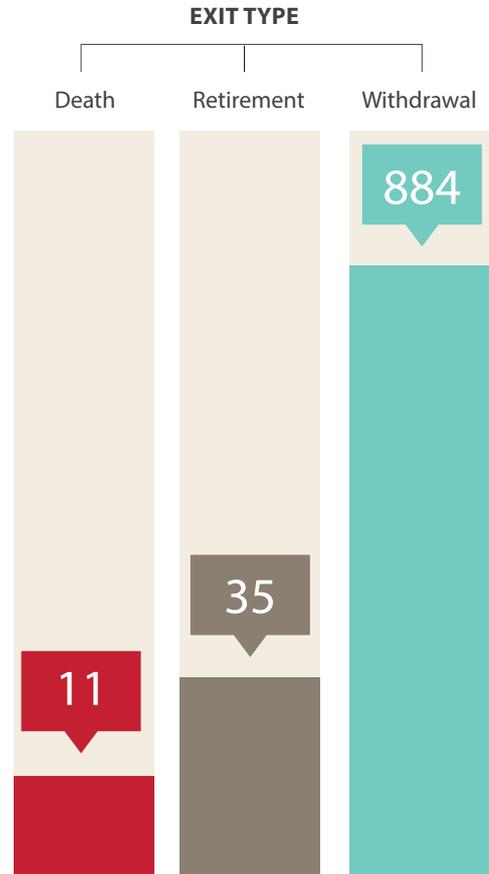
## Annual Benefit Statements

The Benefit Statements for the period 01/01/2018 to 30/06/2018 were distributed during the month of August 2018. Please contact your employer or the Thacsa Help Desk if you have not received your Benefit Statement. The statements for the period 01/07/2018 to 31/12/2018 will be distributed shortly.

## Saving for retirement

Members are encouraged to preserve their withdrawal or retrenchment benefit and keep their retirement savings intact when leaving service. Of the 884 withdrawal claims paid during 2018, only 37 members preserved their withdrawal benefit. The balance of 847 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 getting 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 SYLVIA PIETERSEN  
(MOMENTUM RETIREMENT ADMINISTRATORS)

### RULE AMENDMENT

Rule Amendment 5 was submitted to the Financial Sector Conduct Authority (FSCA) and we currently await approval. The purpose of the Amendment is to align the Rules with the new Default Regulations.

### Summary of Risk Benefits

Description	Benefit	Costs
<b>Group Life Assurance (Death Benefit)</b>	Four (4) times annual pensionable remuneration plus share of Fund	The rate remained unchanged at 1.325% of pensionable salaries.
<b>Income Protection (Disability Benefit)</b>	75% of your monthly pensionable remuneration	The rate increased from 0.594% to 0.713% of pensionable salaries as a result of the benefit increase.
<b>Funeral Benefits</b>	Member	R30 000.00
	Spouse	R30 000.00
	Children 14 to 21 years	R30 000.00
	Children 6 to 13 years	R15 000.00
	Children 0 to 5 years	R7 500.00
	Stillborn	R7 500.00

### Retirement Lump Sum Benefits

Tax relief on retirement lump sum benefits is allocated once in a lifetime. In other words, if it's used up you can't claim it again. For example, if a person used R300 000 of the R500 000 with the first lump sum, the balance left is R200 000 and once this is used up this relief is not available again.

### Tax tables - 2019 tax year (1 March 2019 - 28 February 2020)

#### 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

## Communication update

PREPARED BY IMBONGI COMMUNICATIONS

Many South Africans do not plan properly for retirement. This is strange because we can all be 100% sure that it will arrive one day for every one of us. Part of the planning process is to belong to a pension fund like Thacsa. So, as a member, you are already on the right path to preparing for this eventuality. The other part is to stay informed about your retirement savings and, where possible, participate in the growth of those savings. At Thacsa we are trying to make both of these easier for you.

In 2018 we embarked on a programme to ensure that employers submitted your cell phone number with their monthly reconciliations. It is very important that we are able to communicate directly with you and not only through your employer. You should have received a number of SMS communications during 2018 and in 2019. If you have not, please contact your employer and ask them to ensure your cell phone details are recorded with Thacsa.

Our goal is to send out a monthly SMS to members, highlighting an important issue related to your retirement savings. In most instances there will be a link from the SMS to a more detailed explanation on the website. All of these information messages are stored on the website under 'Member Communications' and can be viewed at any time.

Stay informed about your retirement savings and, where possible, participate in the growth of those savings.

Another innovation in 2018 was the hosting of a member information session in Cape Town. This was an opportunity for members to hear first-hand from Thacsa service providers about the Fund's benefits. It is our goal to roll these out nationally in 2019. Please keep watch for member sessions in Gauteng, KwaZulu Natal and greater Cape Town – again these will be communicated via SMS and your employer.

Another way to stay up-to-date with your Fund information is to register to access through the website or smartphone. The process is quite easy and you can follow the steps shown on the inside back cover of this report. Once you have access you are able to look up your Fund Credit as well as change beneficiaries along with a number of other administrative functions.

Thacsa is a pension fund specifically tailored to meet the unique needs of people working in the tourism, hospitality and catering industries. But you must play your part to get the maximum benefits for your retirement. Take an interest in the SMSs sent to you and try to be part of the member session if one comes close to your area.

You are always welcome to make contact with the Help Desk if you have any questions regarding the Fund. Call them on 021 421 0190 or email [info@thacsa.co.za](mailto:info@thacsa.co.za) or visit the walk-in centre at 1 Adderley Street, 8th Floor, Paul Sauer Building Cape Town.

# Actuarial feedback

SUMMARY OF THE STATUTORY ACTUARIAL VALUATION REPORT  
AS AT 31 DECEMBER 2017  
PREPARED BY CHANAN WEISS (BSC FASSA) VALUATOR, ARCH  
ACTUARIAL CONSULTING

The 2017 year-end statutory valuation, a legislated triennial requirement for all pension funds, was finalised in September 2018. It serves a number of purposes, including to:

- Investigate and report on the financial condition of the Fund
- Assess the suitability of any reserves deemed necessary
- Make recommendations regarding the allocation of any surpluses, or funding of deficits
- Ensure the accurate allocation of contributions to retirement benefits, risk benefits and expenses
- Review the investment return allocated to active and dormant members.

The valuation provides a check on the administrative and operational processes of the Fund. This helps ensure that members' contributions are properly allocated, that their Member Shares are correctly credited with Fund returns, and that they receive accurate benefits when the leave. The Valuator alerts the Trustees to any issues that may require attention, and makes recommendations aimed at ensuring the ongoing solvency of the Fund.

The underlying membership has changed as follows since the previous statutory valuation:

Membership Statistics	31/12/2014	31/12/2017
Active service members	4 348	4 540
Average annual pensionable salary	R74 500	R89 013
Average age	37.2	36.8
Average Member Share	R36 763	R62 917
Dormant members	44 891	44 441
Average Member Share (Rands)	R6 989	R8 555

The results of the latest statutory valuations are compared below.

Financial Condition	31/12/2014	31/12/2017
Total Net Assets	R490 796 886	R585 639 546
Members' Shares and amounts to be allocated	R253 857 978	R298 224 124
Dormant Members Contingency Reserve Account	R237 619 829	R287 415 422
Total Liabilities	R491 477 807	R585 639 546
Fund Account Funding Level	99.7%	100.0%

The results show that the Fund was financially sound at the Valuation Date. The assets held were sufficient to meet all members' benefits and other Fund liabilities.

## Active members' Life Stage model

In 2015 the Fund implemented a Life Stage model which automatically moves members' savings from a more aggressive strategy (the Growth Portfolio) to a more secure one (the Capital Protection Portfolio) as they approach retirement age. Members enjoyed returns of between 9.0% (Capital Protection) and 10.5% (Growth) per annum over this three year inter-valuation period.

## Dormant members

The hospitality industry experiences high staff turnover and many inter-employer transfers. As a result, numerous former members' benefits remain in the Fund as unclaimed benefits. The Fund actively tries to locate and pay these dormant members' benefits and holds a Dormant Member Contingency Reserve to meet these claims.



# Investment overview

FOR THE YEAR ENDED 31 DECEMBER 2018

PREPARED BY WILLIS TOWER WATSON

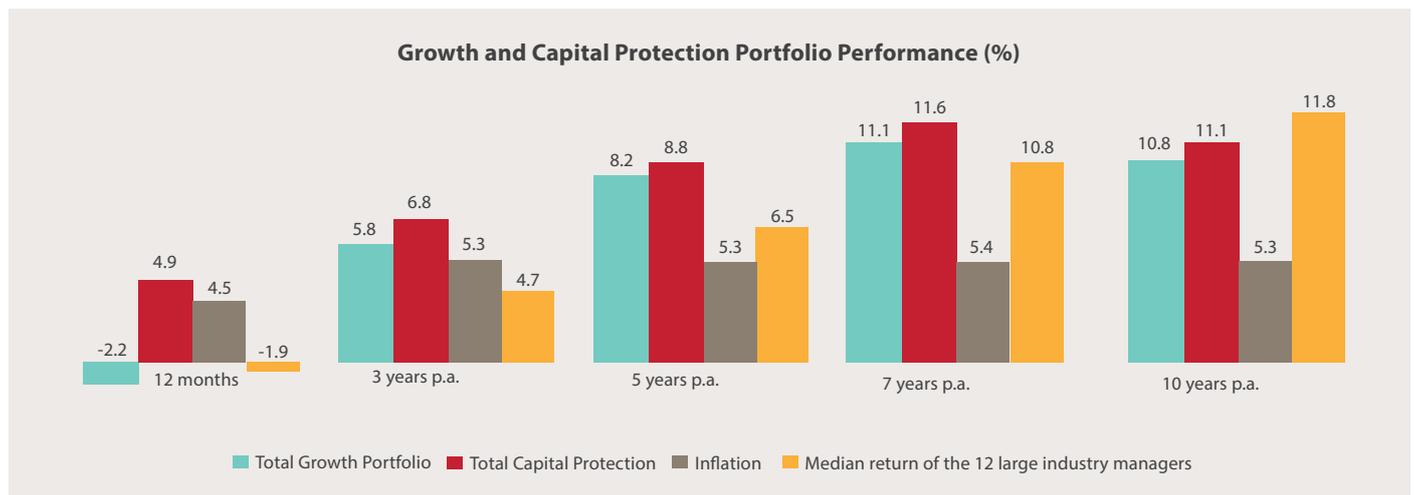
The Thacsa Pension Fund (the Fund) uses two different investment strategies to help grow and protect your retirement savings: the Growth portfolio and the Capital Protection portfolio. Your retirement savings are invested in one or both of these portfolios, depending on your age and, therefore, how much time you have before retirement. The normal retirement age for the Fund is 60 years old. Members under the age of 50 are fully invested in the Growth portfolio, to benefit from the longer time these members have before retirement. Members over age 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 approach retirement.

The Growth portfolio is designed to benefit from strong investment markets. In order to do this it has more exposure to risky investments. This means however, that it will be negatively affected when markets perform badly. Overall, you can expect to experience more good years than bad years in this portfolio.

However, you can only do so if your savings remain invested for several years, and you do not withdraw them before you retire. As you get closer to retirement, your savings are moved to the Capital Protection portfolio and will 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.

In short, the aim of the Growth portfolio is to stay invested for the long term to maximise investment returns. The Capital Protection portfolio won't maximise investment returns, but will protect your retirement savings as you get nearer to retirement age.

The investment performance (before deducting management fees) of the Growth and Capital Protection portfolios for different periods ending at 31 December 2018 is shown in the graph below, the performance is compared to inflation:



The Capital Protection portfolio generated a return that exceeded inflation over the year, while the Growth Protection portfolio performance failed to exceed inflation. However, over longer measurement periods both portfolios have achieved a return that is considerably higher than the inflation rate over that period.

### **How have the markets done?**

Your retirement savings are invested in investment markets in South Africa and in foreign countries. Understanding how those markets have performed helps to explain how the investments of your retirement savings have performed.

The strong investment market returns enjoyed by investors in 2017 were not repeated in 2018. The past year was a challenging period for global and local financial markets, with most markets across the world struggling to produce positive returns. Although global economic growth was reasonably strong during the year, the outlook for further growth has deteriorated.

South Africa's financial markets share in the fortune or the misfortune, as the case may be, of the global markets. Besides this, South Africa as a country also has specific challenges which are having a negative impact on the economy and investment returns. These include structurally low economic growth, seriously high unemployment, high debt levels and low savings rates, as well as political risks and uncertainty (national elections coming up in 2019 and several State Owned Enterprises in crisis, especially Eskom). These factors continue to pose significant risks to investment returns going forward. The poor performance of investment markets in 2018 affected retirement funds across South Africa, and in fact across the whole world.

### **What are the risks to the market?**

At times like these, when markets are not performing particularly well, long term investors – retirement savers like yourself – need to be patient and focused to reap the rewards of returns necessary to secure a reasonable retirement. 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.

It is worth contextualising, that the poor investment returns delivered over the past year followed a long period of relatively strong market performance. The Fund had experienced an "up-cycle" for some time prior to 2018 and thus this relative underperformance is not entirely unexpected. This is part of the natural path that investment markets tend to follow.

Under the current conditions and expectations, we all need to save more wherever we can. It is of the utmost importance that you keep what you have already saved invested in the Fund and not withdraw these savings until reaching retirement. If you withdraw your savings, you may not benefit from the good performance of markets which will eventually follow – because there is no way for us to know when this will happen.

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#### *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. Whilst 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.*

*Willis Towers Watson is an authorised financial services provider.*



# Financial statements

UNAUDITED AS AT 31 DECEMBER 2018

(AUDITED VERSION TO BE INCLUDED IN THE 2019 ANNUAL REPORT)

The Fund can confirm that we received a clean audit report for the financial year ending 31 December 2017. 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 2018	31 December 2017
	R	R
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments	633 544 245	648 716 188
<b>Current assets</b>	<b>14 780 554</b>	<b>11 722 549</b>
Accounts receivable	1 642 562	991 767
Arrear contributions	1 879 083	2 311 634
Cash at bank	11 258 909	8 419 148
<b>Total assets</b>	<b>648 324 799</b>	<b>660 438 737</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Members' funds</b>		
Members' individual accounts	274 204 145	285 767 953
Amounts to be allocated	10 481 494	12 456 171
<b>Reserves</b>		
Reserve accounts	291 549 377	287 415 422
<b>Total funds and reserves</b>	<b>576 235 016</b>	<b>585 639 546</b>
<b>Non-current liabilities</b>		
Unclaimed benefits	55 886 316	53 384 391
<b>Current liabilities</b>		
Transfers payable	768 093	6 729 281
Benefits payable	12 465 539	11 903 366
Accounts payable	2 969 835	2 782 153
<b>Total funds and liabilities</b>	<b>648 324 799</b>	<b>660 438 737</b>

# HOW TO REGISTER ON THE THACSA MEMBER PORTAL

This is the best way to access information on the Fund, here's what you can do from a smart phone or computer:

-  check your personal details
-  View various statements
-  update beneficiary and nominee details
-  manage investment portfolios
-  daily unit prices of your Fund Credit

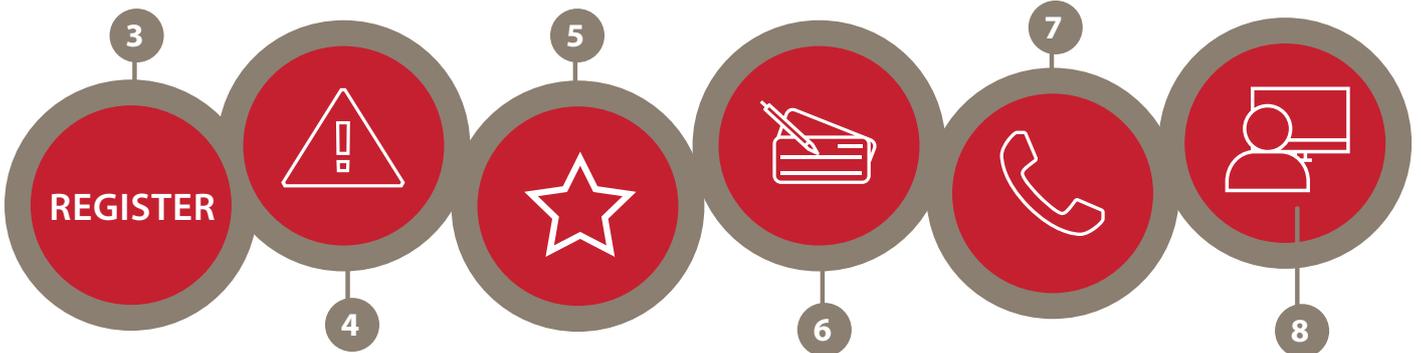


1. Go to the website [www.thacsa.co.za](http://www.thacsa.co.za) on your phone or on a computer.  
 2. On the home page is a black button "Log in and check your fund balance here", click on it.

3. It will open another page with instructions and a red "Register" button, click on that, you will be directed to a Momentum page.

5. If your ID or passport is registered on the system, you will be directed to the "Personal details" where you can update and check the various fields. When complete select "Next".

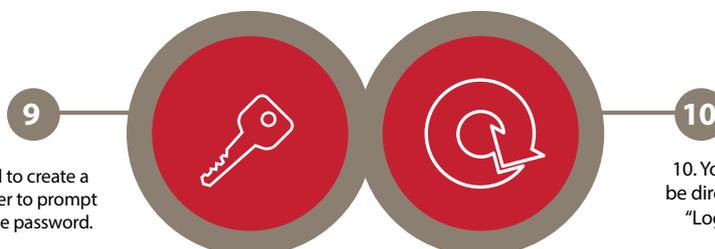
7. Select your preferred method of communication – sms or email – read and accept the terms and conditions. Click on "Next".



4. If it's your first time click on the blue tab "Register / OTP", you will be asked for your RSA ID number or foreign passport if applicable.

6. The system will take you to "Login details", here you must enter a preferred user name that is at least seven characters long – this could be an email address, cell number or word.

8. If your employee number and employment date is verified on the system – this can take up to 48 hours – you will receive a One Time Pin (OTP) to be used within three hours. Enter the OTP in the space provided and verify.



9. You will be then asked to create a "Password" and a reminder to prompt you should you forget the password.

10. You will then be directed to the "Login" page.

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## FUND CONTACT DETAILS

**Thacsa Help Desk**

Tel: 021 421 0190

Fax: 021 449 5882

**Email:** [info@thacsa.co.za](mailto:info@thacsa.co.za)

**Website:** [www.thacsa.co.za](http://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

**Postal Address:**

P O Box 836, Cape Town, 8000