

tourism,
hospitality
& catering
pension fund



A life of service
deserves a service for life

ANNUAL REPORT year ending **2013**



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THACSA Pension Fund

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8000



CHAIRMAN'S REVIEW



ANDY NOLD

Chairman of the THACSA Pension Fund

I am delighted to report that THACSA welcomed more than 500 new members to the Fund in 2013, with our total Fund assets exceeding the R500 million mark. The investment team managed to outperform inflation by 16%, which is a clear indication that our investment strategy is fine-tuned and effective. Your Fund remains fully funded and is in a sound financial condition.

In the 2012 Annual Report, I touched on the retirement reform proposals announced by the Minister of Finance. Some significant aspects of the reform took effect during the 2013 financial year and have enhanced the governance of retirement funds. These changes continue to ensure the diligent and proper management of your Fund by the Trustees and also allows for an employer to be held personally liable for failing to pay contributions to the Fund. After discussion with Labour and NEDLAC, Government announced that the proposed tax law changes, which were earmarked for March 2015, will be postponed to earliest of March 2016. Please visit our website, www.thacsa.co.za for more information.

The Trustees are committed to keeping you informed of any Industry or Fund related matters and we urge you to please contact the Helpdesk or visit our website if you have any Fund related queries.

On behalf of our Board of Trustees, I wish to thank the Principal Officer and our service providers for their ongoing support during the year. To our members and their employers, thank you for your trust and support, you can rest assured of our unfailing commitment to always have your best interest at heart.

FROM THE PRINCIPAL OFFICER'S DESK

The Board of Trustees met 6 times and the sub committees met a further 13 times during 2013. The attendance at these meetings was 89%, which was an improvement on the 2012 attendance of 85%. It represents a tremendous commitment to the Fund by the Trustees especially given that they are not employed by the Fund or the administrator and have other onerous business commitments.

The Board said farewell to Peter Spickernell, a Trustee of many years experience, Rey Franco and Templeton Giwu during the course of 2013. Their seats were taken by Chris Godenir, Susan Faussner-Ringer and Vincent Sotyifa. Mary Mageqa was appointed to fill a vacant seat on the Board and Holomisa Nqoro was appointed as an alternate to Crosby Booi.

The term of office of the Chairman and Deputy Chairman ended in 2013 but such was the confidence in the incumbents that both the outgoing Chairman Andy Nold and outgoing Deputy Chairman, Crosby Booi were re-elected for a further term of office.

The Board started a succession planning initiative in terms of which potential office bearers were appointed as Chairmen of the Sub Committees of the Board. Renier Grosch was appointed as Chairman of the Investment Sub Committee, Hugh von Zahn was appointed as Chairman of the Communications Sub Committee and Crosby Booi was appointed as Chairman of the Legal Sub Committee. Andy Nold will continue to serve as Chairman of the Administration and Audit Sub Committee. Formerly all sub committees met under the chairmanship of Andy Nold as Chairman of the Board of Trustees.

The Fund's new investment strategy, devised in conjunction with Deon Hugo of Towers Watson in 2012 was implemented in the first quarter of 2013. It was designed to enable the Fund to meet the requirements of regulation 28. Andrea Taylor of Towers Watson elaborates on the performance of the fund's investment strategy on page 5 to 6 of this report.

The Fund's administrators, Metropolitan Retirement Administrators changed its name to Momentum Retirement Administrators as part of the merger between to the two entities which resulted in the formation of MMI. The Fund's administrative platform was transferred to Benchmark Operating System, which is recognised as best of breed.

The Fund's Service Providers during 2013:

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

FROM THE PRINCIPAL OFFICER'S DESK



KEVIN BARNES
Principal Officer

During December 2013, the THACSA helpdesk, situated at 14A Long Street since 2004, moved to a new address: No.1 Adderley Street 8th floor. On page 4 of this report, Christa Bothma of Momentum Retirement Administrators highlights the benefits of these changes for members and explains the need to submit a beneficiary nomination form. Christa also details Rule amendments under the Legal and Technical report on page 5.

The Communications Sub Committee developed two newsletter posters in conjunction with Sash Consulting, which were distributed in March 2013 and December 2013 and form part of the Board's ongoing strategy to improve communication between the Fund and its members. Cathy Vorster of Sash Consulting expands on the communication initiatives which the Fund embarked upon on page 8.

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 actuarial valuation on page 7 and an extract from the Fund's audited financial statements can be found 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 its goal of communicating directly with the members.

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

ADMINISTRATOR'S OVERVIEW

Prepared by Christa Bothma (Momentum Retirement Administrators)

Administration system

The administration of the THACSA Pension Fund migrated during 2013 to a new and improved administration system. Currently members are being kept up to date on the progress of a claim by means of automated SMS's from the administration system. Should your tax application fail or is approved by SARS members will receive a SMS notification. A final SMS will be sent once payment is made to the member's bank account.

Fund Membership

The membership of the Fund has once again increased during 2013. The Fund has approximately 4200 members that participate in the Fund.

Number of claims paid out during 2013

	Number of claims	Amount (Gross benefits)
Withdrawals	246	9,042,704.95
Retirements	15	1,823,030.60
Deaths	2	4,601,706.87
Retrenchments	85	4,364,596.30
Section14's	9	153,011.84
	357	19,985,050.56

Annual Benefit Statements The annual Benefit Statements for 2013 were distributed during the month of July 2013 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.

Move of the THACSA Helpdesk

The THACSA Helpdesk moved offices during December 2013 from Long Street to 8th Floor, Paul Sauer Building, No 1 Adderley Street, Cape Town. The telephone number however stayed the same (021) 421 0190/1.

The new offices are situated next to the Cape Town station which makes it easy accessible for members traveling by public transport.




LEGAL AND TECHNICAL UPDATE

Prepared by Christa Bothma (Momentum Retirement Administrators)

Rule amendments

Since the last annual report, the Rules of the Fund were revised and all previous amendments were incorporated into the revised set of Rules. The Revised Rules were registered by the Financial Services Board and can be viewed on the Fund's website. One additional amendment was effected to the Revised Rules:

Amendment		
NUMBER	DETAIL	EFFECTIVE DATE
1	The Registered Address of the Fund was changed to: Mispel Street, Parc du Cap, Bellville, 7535	1 January 2013



SECTION 13A OF THE PENSION FUND'S ACT - LATE PAYMENT OF CONTRIBUTIONS

According to Section 13A of the Pension Funds Act 24 of 1956, provision is made for contributions to be paid to the Fund not later than seven days after the end of the month for which such contributions are payable (for example by 7 July for contributions in respect of June). Where contributions are received in full on or before the 7th of the month (as described above) no interest will be charged. However, if contributions are received after the 7th of the month, **compound interest will be charged from the 1st day of the month following the expiration of the period in respect of which the relevant amounts are payable** (for example from 1 July in respect of June contributions) until the date of receipt by the Fund.

The Act was amended in April 2001 to accommodate the charging of interest on late payments of contributions. The interest charged may not exceed the maximum amounts declared in the National Credit Act 34 of 2005. Any unpaid amounts also attract compound interest. Any unpaid interest is regarded as an unpaid amount and attracts further compound interest until date of payment.

The Administrator of the Fund is required by law to issue a late payment interest letter and account to employers if payments are made late.

LATE/NO SUBMISSION OF MEMBER DATA

According to Section 13A of the Pension Funds Act 24 of 1956, provision is made for the minimum data information to be furnished to the Fund by every employer with regard to payments of contributions made by the employer. If the information does not accompany the payment of a contribution, the information shall be transmitted to the fund concerned **not later than 15 days after the month in respect of which the payment was made** (for example by 15 July for contributions in respect of June). This is also stated in the current Rules of the fund. If the request is not complied to, the matter can be reported to the Registrar of Pension Funds for non-compliance, and then dealt with accordingly.

The importance of your Beneficiary Nomination Form

In terms of Section 37C of the Pension Funds Act if a member of a pension or provident fund dies, the trustees have a duty to identify all qualifying dependents and nominated beneficiaries. The Beneficiary Nomination Form serves as an important guide to the trustees. As your family circumstances change over time, previous completed forms may become outdated and irrelevant when death benefits must be divided between dependents. It is therefore important that you complete the Beneficiary Nomination Form and return it to your HR department.

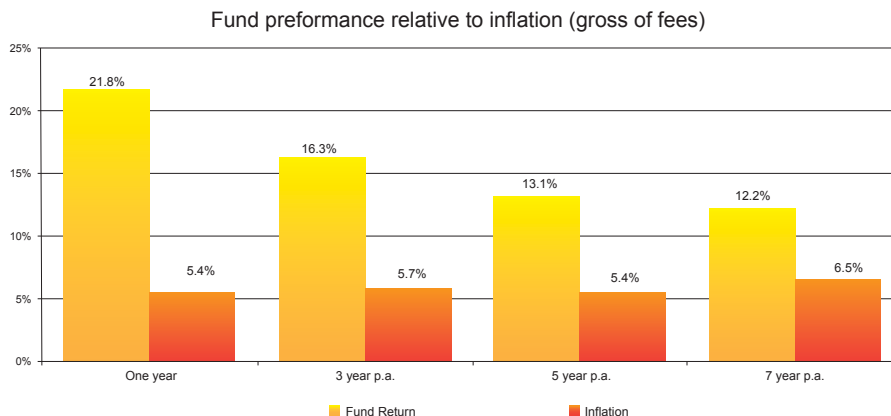
INVESTMENT REVIEW

Prepared by Andrea Taylor (Towers Watson)

THACSA Performance

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

The chart to the right shows the Fund's annual performance (gross of management fees) versus inflation for periods to 31 December 2013.



INVESTMENT REVIEW

Prepared by Andrea Taylor (Towers Watson)



For the 2013 calendar year, the Fund's performance was over 16% above inflation, which is a very good return. For the past three, five and seven years the Fund has also performed above inflation by a large amount.

The Fund's seven year annual performance was affected by the global financial crisis in 2008/2009, during which time the Fund experienced a relatively short period of negative annual returns. However, the Fund's conservative strategy meant it was less affected than many other funds during this period, and the annual performance quickly recovered to positive territory. Since 2009, the Fund's performance has benefited from improved equity performance.

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

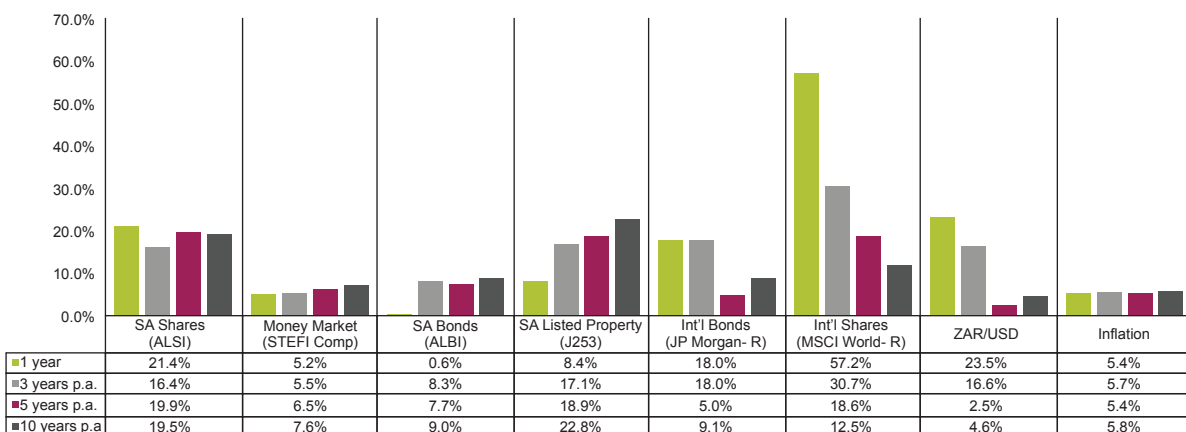


Members should note that the Fund has a more conservative risk profile than many "market-linked" funds available in the market due to its liability profile, as both young and older members are invested in the same investment strategy.

How have markets done?

In 2013, the SA equity market benefited from improved global economic conditions and positive sentiment of global investors. The SA equity index reached record highs as a result. Market analysts' view is that parts of the local equity market are extremely expensive, as certain companies, such as retailers, have been very popular with investors. There is the risk that the value of these companies will eventually revert to more normal levels and that returns going forward are therefore not expected to be quite as good as what we have seen recently.

Major index returns: up to ten years



Global equities were the best performing asset class in 2013. SA equities also performed very well, while SA bonds performed very poorly. The listed property sector also did not perform well compared to SA equities, as the performance of the listed property sector is associated with the performance of the SA bond sector.

The performance of the global equity market has been exceptional over the past year in rand terms, due to the significant depreciation of the rand over the same period.

What are the risks to the market?

Although there have been some signs that global economic growth has been improving, the economic environment will remain challenging in the medium-term. Economic policymakers such as the US Federal Reserve are in an unenviable position, as interest rates worldwide are at historic lows and any increase thereof could derail the frail economic recovery. Furthermore, as the US Federal Reserve reduces its quantitative easing programme (whereby it purchases bonds to pump money into the economy), certain emerging economies (such as South Africa and Brazil) may experience reduced support from foreign investors. This could also result in further depreciation of the rand, which will harm South Africa's poor economic fundamentals such as the current account deficit.

ACTUARIAL VALUATION

Prepared by Sean Neethling - Valuator (Momentum Specialised Solutions)

Actuarial Valuation

The Pension Funds Act requires the Fund and 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 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.

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	31 December 2011	31 May 2013
ACTIVE SERVICE MEMBERS		
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	31 December 2011	R	31 May 2013	R
	Return allocated: 11.23% p.a.		Return allocated: 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	100.0%		100.0%	

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

FINANCIAL STATEMENTS

as at 31 December 2013

The Fund can confirm that we received a clean audit report for the financial period ending 31 December 2013. The 2013 Financial Statements were audited by the Fund's Auditors, PriceWaterhouse Coopers, approved by the Board of Trustees and submitted to the Financial Services Board.



	Notes	Current Period	Previous Period
ASSETS		R	R
Non-current assets		487,097,429	444,721,496
Investments	1	487,097,429	444,721,496
Current assets		14,872,094	8,361,903
Accounts receivable	3	2,574,026	4,494,714
Bank		6,266,942	2,013,936
Transfers receivable	4	5,156,241	658,391
Contributions receivable	10	874,885	1,194,862
Total assets		501,969,523	453,083,399
FUND AND LIABILITIES			
Member's funds		230,295,084	206,957,350
Members' individual accounts		220,563,562	201,707,554
Amounts to be allocated	20	9,731,522	5,249,796
Reserves		213,771,124	199,767,829
Reserve accounts	18	213,771,124	199,767,829
Total funds and reserves		444,066,208	406,725,179
Non-current liabilities		33,296,723	26,646,962
Unclaimed benefits	7	33,296,723	26,646,962
Current liabilities		24,606,592	19,711,258
Transfers payable	5	1,052,787	1,084,195
Benefits payable	6	20,550,189	17,610,271
Accounts payable	8	3,003,616	1,016,792
Total funds and liabilities		501,969,523	453,083,399

ON THE COMMUNICATION FRONT

Prepared by Cathy Vorster (Sash Consulting)

The Fund is required by the Pension Funds Act to provide you with the Annual Report, which includes the Financial Statements, Investment Performance, statutory changes and general reporting. It also gives us the opportunity to tell you what we have been up to on the communication front!

The year under review was very productive with the issuing of various items as part of the Fund's annual communication plan. This included news posters, providing an overview of current and upcoming Fund and industry news. These posters were distributed to more than 215 of the Fund's participating employers, and are displayed in an area where you can read them in your own time. Remember, if you subscribe to our electronic mailing list we can also e-mail the communication to you, hot off the press.

We also had the opportunity to meet with more than 250 members at the member information sessions that we conducted. It is always a pleasure to see the amount of interest shown in the Fund and even more rewarding to be able to educate and inform Fund members. Our visits to the employers also proved to be fruitful as we were always invited back for a visit or to conduct on-site sessions. Thank you to all our members for taking the time to attend and to employers for their time and hospitality.

Please remember to update your details with the Fund on a regular basis. This will enable us to ensure that you receive all your communication from the Fund and are kept abreast of upcoming events, such as the member sessions. If you need to claim a benefit and we have your contact information, it helps to speed up the process.

Need help or more information? Please remember that you can contact or visit the Fund helpdesk.

Contact details: Telephone: +27 21 421 0190, No.1 Adderley Street, 8th floor, Paul Sauer Building, Cape Town, 8000

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.

Employer Trustees
(Fedhasa Representatives):
Employer Trustees
(Non-Fedhasa Representatives):
Member Trustees:

Independent Trustee:
Principal Officer:

BOARD OF TRUSTEES

A Nold (Chairman); S Veley; C Godenir,
S Faussner-Ringer
R Grosch; H von Zahn

A Green; W Mtinkulu; C Booil (Deputy-Chairman); H Ngoro (alternate) M Mageqa; V Sotyifa; C Kaptein-Lujabe; C Tamane
C Bösenberg
K Barnes