



KASAGANA-KA
Mutual Benefit Association, Inc.

**KASAGANA-KA Mutual Benefit Association, Inc.
Minutes of 4th Regular Meeting of the Board of Trustees
LB Soriano Hall SEAMEO INNOTECH, Diliman Avenue, Quezon City
May 31, 2018, 8:30 am**

In Attendance

Board of Trustees

- | | |
|---------------------------|---------------------|
| 1. Isabel M. Iliw-iliw | - President |
| 2. Jerlene B. Perez | - Secretary |
| 3. Marissa A. Loyola | - Treasurer |
| 4. Anita L. Manundo | - Member |
| 5. Ma. Teresa G. Bucad | - Member |
| 6. Elizabeth G. Fuentes | - Member |
| 7. Marilyn C. Aldave | - Member |
| 8. Philip Arnold P. Tuaño | - Independent Board |

Thru Teleconference

9. Maria Cleofe Gettie C. Sandoval – Independent Board (for AGM confirmation)

Board of Advisers

7. Maria Anna dR. Ignacio
8. Leticia T. Rodriguez
9. Wenifreda F. Rodriguez
10. Martiniana G. Mancio
11. Chona B. Capayas

Management and Staff

12. Silvida R. Antiquera – General Manager
13. Evangeline E. Pe – Operations Manager
14. Evelyn Lagmay – Finance Manager
15. Analyn Shih – Exec. Assistant
16. Brenda Lumbao – Board Secretary (for AGM confirmation)

Also Present

17. Garth Noel Tolentino – Treasury Committee Member



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ORDER OF BUSINESS

- I. Call to Order
- II. Prayer
- III. Determination of quorum
- IV. Approval of the proposed agenda
- V. Reading and Approval of the previous minutes
- VI. Business arising from the previous meeting
- VII. Financial Report
 - a. Financial Statement for the month of April 2018
 - b. Investment as of May 30, 2018
- VIII. Matters For Discussion/Approval
 - a. KDCI Collection Fees
 - b. Support to KMBA Board Members and Coordinators
 - BLIP
 - K-Kabataan
 - c. Additional Guaranty Fund
 - d. Membership Fee
 - e. RF and Equity Value Interest Rate
 - f. Cash Gift to Loyalty Awardees
 - g. K-Kalinga Enhancement
 - h. K-Bente Renewal
 - i. Proposed Video Production
- IX. Updates
 - a. Building Construction
 - b. KJSP for SY 2018-2019
- X. Presentation of 2017 Audited Financial Report
- XI. Other Matters
 - Schedule of next Board meeting
- XII. Adjournment



DISCUSSION HIGHLIGHTS

I. Invocation

The meeting started at 8:30 a.m. with a prayer led by BoT Adviser Ana.

II. Quorum and Agenda

The Board Secretary announced the presence of a quorum.

With no further additions nor objections to the proposed agenda, the Board approved the agenda upon motion by BoT Marissa, and seconded by BoT Marilyn.

III. Reading and Approval of the Minutes of the Previous Meeting

The Board went over every page of the minutes.

There being no necessary corrections or comments on the minutes, BoT Teresa moved to approve the Minutes. The motion was seconded by BoT Elizabeth.

IV. Business Arising from the Previous Meeting

1. As to the question on the discrepancy between the number of members of KMBA and K-Coop, a review by KMBA showed two main reason for the difference. First, KMBA has an exit age of 65 years old. Beyond said age, member ceases to be a member of KMBA but may choose to remain a member of the cooperative. Second, an individual becomes a member of K-Coop upon payment of membership fee. S/he becomes a member of KMBA only upon payment of premium.

2. As to the instruction to present the monthly net surplus of the Association through the years, FM Eve showed a graphical presentation of the monthly surplus (loss) of KMBA from 2014-2018.

One of the main observations is the consistently high number of insurance claims during the first quarter of the year. With this observable trend, Treasury Committee Member Noel asked for a concrete response in order not to see further increases in the number of claims. BoT Adviser MeAn suggested the conduct of a massive health campaign during the last quarter of the year or at least two months before yearend. It should aim to remind members of the need to look after the health of their family during the Christmas season. Sir Randy added that a similar campaign should be done during fiesta season in summer. While GM Salve agreed on this plan, she explained that from the perspective of the Insurance Commission, the volume of insurance claims shows that the insurance program really works for the beneficiaries.



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In relation to this, BoT Jerlene as KDCI Health and Wellness Manager would like to conduct a study on the insurance claimants' availment of laboratory tests and other health programs offered by KDCI.

KMBA will assist the study by providing KDCI the list of insurance claimants and beneficiaries for the immediately preceding three years.

BoT Adviser Letty made a remark regarding the process of addressing complaints, comments and suggestions of members during laboratory tests conducted by HealthDev. She wanted immediate response by the satellite office manager so the same will be addressed by the next set of tests. To this, BoT Jerlene, as program manager of the Health and Wellness program committed to respond appropriately.

3. There was an issue raised by BoT Adviser MeAn in the previous meeting regarding the treatment of salary adjustment as actuarial loss appearing in KMBA's FS. She noted that the same has yet to be clarified. She likewise recommended the review of available short-term investment options for KMBA.

V. Updates/ Reports

A. Financial Statements

FM Eve presented the Statement of Financial Position as of April 30, 2018. The summary of the report is provided below.

Particular	As of April 30, 2018	As of April 30, 2017	Variance	
Total Assets	Php196,441,870.35	Php172,704,690.41	Php23,737,179.94	14%
Total Liabilities	125,457,017.69	113,248,378.26	12,208,639.43	11%
Total Fund Balance	70,984,852.66	59,456,312.15	11,528,540.51	19%

The summary of the income statement as of April 30, 2018 is as follows:

	As of April 30, 2018	For the month of April 2018
Gross Revenue	Php14,054,452.65	3,264,053.26
Total Benefit Expense	12,048,671.31	2,941,965.90
Total Operating Expenses	2,867,360.83	632,133.62
Total Investment Revenue and Other Incomes	1,382,117.74	285,821.34
Net Surplus (Loss)	520,538.25	(24,224.92)

KMBA registered a net loss in April because of high benefit claims and lower members' contributions. This is especially true when the income statement for the month of April and March are compared. The previous month saw net surplus reaching almost Php 880,000, with better members' contributions and lower expenses, both with respect to benefits claims and KMBA operations. This helped KMBA to register a net surplus of Php 520,538.25 as of end of April 2018, despite losses in January and April.



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B. Investments as of May 30, 2018

The portfolio mix as of May 30, 2018 is as follows:

Type of Investment	Current Placement (in Php)
Cash in bank	18,015,918.66
Time Deposit	24,299,571.71
Government Securities	66,162,000.00
Corporate Bonds	20,500,000.00
UITF	15,000,000.00
Mutual Fund	7,000,000.00
Stocks	8,000,000.00
Property	30,528,686.88
TOTAL INVESTMENTS	189,506,177.25

In response to the suggestion to move funds to higher yielding investments, FM Eve consulted with FMIC. She was told that although she may get better rates, each unit or coupon will be bought from KMBA at a price lower than the price at which it bought the same.

Independent Board Randy suggested inviting finance and investment experts to Board meetings and regularly checking pertinent websites to keep abreast with financial reports. The guest experts will give inputs on viable investments, if and when there is a need to make investments given available funds.

The Financial Statements were approved by the Board, following the motion by BoT Marilyn, seconded by BoT Marissa.

VI. For Discussion/ Approval

A. KDCI Collection Fees

GM Salve requested a formal approval for the turnover of collection fees due KDCI for the period 2016, but were not transferred immediately to them. This was because of the transition between KDCI and K-Coop following the assumption of the microfinance program by the latter.

BoT Teresa moved for the approval of the transfer of collection fees to KDCI. BoT Elizabeth seconded her motion.

BOARD RESOLUTION NO. 20, Series of 2018: KDCI COLLECTION FEES

RESOLVED, to approve the transfer of collection fees due to KDCI for the period 2016.

B. Support to KMBA Board Members and Coordinators

Current policy provides that BLIP, KoK and K-Kabataan are part of the support given by KMBA to Board members and advisers. Coordinators, on the other hand, receive KoK and K-Kabataan. It has come to



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KMBA's attention, however, that Board members and advisers continue to pay for their own BLIP contributions. Thus, the accounts of said officers will be reviewed. BLIP premiums previously paid by them out of their own pockets, from the time they assumed office as Board member or coordinator until May 31, 2018, will be reimbursed to them and recorded as part of their savings, duly noted in their passbooks. KMBA will issue a check to K-Coop, which will be entered into each member's passbook. This arrangement was agreed upon by the Board upon motion by BoT Teresa, seconded by BoT Marissa.

KMBA will pay for the BLIP contributions of each member effective June 1, 2018 and until expiration of their respective terms. For this purpose, KMBA will draft a policy and issue a communications memo to K-Coop MIS.

For Board Emeritus BoT Adviser Wenifreda, who is no longer covered by BLIP, and eventual Board Emeritus Ms. Leticia, GM Salve proposed continuation of the payment of the BLIP premium amount, which would be placed in their respective Golden-K account with K-Coop. Once adopted, this policy will retroact to the time they each started serving as Board Emeritus. Acknowledging the contributions of the two in the establishment and growth of KMBA, BoT Marilyn moved for the adoption of the proposed policy. Her motion was seconded by BoT Marissa.

BOARD RESOLUTION NO. 21, Series of 2018: SUPPORT FOR BOARD EMERITUS

RESOLVED, to continue the provision of support to Board Emeriti Wenifreda Rodriguez and Leticia Rodriguez in the form of monthly Golden-K savings equivalent to the amount of BLIP contributions they would have been entitled to receive as Board Advisers.

On the other hand, support by way of K-Kabataan is presently granted to Board members, advisers and coordinators with children and relatives of school age. Upon conferring with K-Coop regarding the support it gives to its own officers, GM Salve came up with a proposal to limit the grant of K-Kabataan to Board members, advisers and coordinators with children in school. This is more in keeping with KMBA's aim of financial sustainability and with the effort to harmonize the benefits granted by KSOs to member-leaders. BoT Adviser Letty liked the proposition, adding that children of a KMBA member's relative should be supported by their own parents. BoT Marissa agreed. She thus initiated the motion amending the policy on the grant of K-Kabataan, limiting it to Board members', advisers' and coordinators' children who are in school. BoT Elizabeth seconded the motion.

BOARD RESOLUTION NO. 22, Series of 2018: K-KABATAAN SUPPORT FOR KMBA OFFICERS

RESOLVED, to amend the policy on the grant of K-Kabataan, limiting it to Board members', advisers' and coordinators' children who are in school



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C. Additional Guaranty Fund

Under the policy of the Insurance Commission (IC), KMBA should make a yearly addition of 5% of its annual premium collection to its Guaranty Fund.

This year, the amount would be equivalent to Php2Million. This will be sourced from KMBA's 25-year Fixed Rate Treasury Notes (FXTN) investment, which is classified as tradeable fund. Because IC policy requires Guaranty Fund to be non-tradeable, KMBA will simply request to the Bureau of Treasury Department to classify Php2Million as non-tradeable. The decision was reached by the Board upon motion by Independent Board Randy, duly seconded by BoT Teresa.

BOARD RESOLUTION NO. 23, Series of 2018: ADDITIONAL GUARANTY FUND

RESOLVED, to reclassify Php2Million FXTN as non-tradeable from Bureau of Treasury, which will serve as KMBA's additional Guaranty Fund for 2017

D. Membership Fee

GM Salve brought to the Board's attention the matter of the membership fee. She is proposing a review of the same, considering the significant enhancements in members' benefits as well as the rising costs of operations. At present, KMBA membership fee is Php30. For consortium partners, Php100 is paid, although only Php50 is remitted to KMBA.

For BoT adviser Letty, an increase in the fee would be justified, even if we only consider the additional two children beneficiaries. BoT Jerlene agreed, saying that the new fee will be imposed on new members who will experience better benefits. BoT adviser Weni suggested fixing it at Php100, similar to K-Coop's. Others were partial to the Php50 fee, as the minimal increase would not be felt by members.

Through Independent board Randy's query, the Board was reminded that the Php30 fee was set many years ago, and has not been reviewed ever since. As confirmed by GM Salve, an increase of the fees from Php30 to Php50 will still not suffice to cover costs. BoT Jerlene therefore cautioned the body to decide carefully as it may be difficult to effect further adjustments soon. She added that consideration should be given to inflation through the years, resulting in the higher expenses for supplies, materials and other operating costs.

After further deliberations, BoT Marilyn moved to increase the KMBA membership fee from Php30 to Php100. This was seconded by BoT Marissa.

BOARD RESOLUTION NO. 24, Series of 2018: ADJUSTMENT IN MEMBERSHIP FEE

RESOLVED, to increase the membership fee from Php30.00 to Php100.00



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E. RF and Equity Value Interest Rate

The Insurance Commission advised KMBA to review the interest rate it applies to RF and to the equity value. It must be remembered that existing policy requires MBAs to return to resigning members, regardless of the period of their membership, 50% of her/his equity value. At present, KMBA applies 2%. Alternatively, it may opt to apply the prevailing interest rate.

BoT Adviser Letty essentially proposes adopting a lower interest rate for the return of the equity value. This is in consideration of early resignation of members, disregarding the efforts of field employees and center leaders.

BoT Adviser MeAn agreed with the desire to adopt a conservative stance. As to the amount of interest to be applied to the equity value to be returned to resigning members, KMBA should study by yearend the average interest rates given by the three largest banks. This will be applied in the succeeding year, beginning in 2019.

In the meantime, 2% interest rate for RF will still be applied for 2018. For equity value which will be returned to members within 2018, no interest rate will apply.

BoT Marissa agreed to this proposition and moved for its adoption as a policy by the Board. BoT Marilyn seconded the motion.

BOARD RESOLUTION NO. 25, Series of 2018: INTEREST RATE TO BE APPLIED TO RF and EQUITY VALUE

RESOLVED to require the conduct of a study of the annual average interest rates given by the three largest Philippine banks, which will be applied to the RF and to the equity value being returned to resigning members;

RESOLVED FURTHER, to direct the production and dissemination of information and education campaign materials to explain to members the new policy on the return of equity value, with interest, to resigning members, regardless of the period of membership.

KMBA must also prepare information materials to explain the return of the RF and equity value to members who will resign less than three years from commencement of membership. This should be explained to members.

F. Cash Gift to Loyalty Awardees

In recognition of the contributions of employees to the Association, GM Salve asked the Board to consider the grant of cash gifts to the employees. At present, cash gifts are granted by KSOs as a whole every milestone year. What she proposed was for KMBA to grant loyalty awards to its own employees in the form of cash gifts. Her proposal was to grant Php1,000 for every year of service, the award to be



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given every five years of service. Through this, she wanted to acknowledge the commitment of the employees in serving the Association, which has continued to grow and to be recognized in its field, despite the relatively small staff complement.

Treasury Committee member Noel, however, reminded the Board to consider, in its decision-making, its capacity to sustain such a practice in the coming years. Second, the implication of this policy to the KSOs, to which KMBA belongs, should be studied. Will other KSO entities be able to afford this benefits policy? Third, he wanted an objective criteria for the grant of the cash gift. Aside from years of service, concrete contributions to the Association should be shown.

The Board decided to make further studies on the implications of the cash gift proposal to the financial position not only of KMBA but of the rest of the KSO entities.

G. K-Bente Renewal

As discussed in previous meetings, the amount of claims from the K-Bente program is now more than the total amount of premium contributions to the same. Sunlife Grepa has therefore made two proposals if the program is to be renewed and the Php20 premium contribution be maintained.

Under Option 1, beneficiaries will receive a lower death benefit of Php5,000 instead of Php10,000. Because Sunlife also noticed that the number of claims is high during the first three months, a contestability clause will apply for new members during said period.

Option 2 will retain the death benefit of Php10,000 with no contestability period. However, KMBA must be able to enroll an additional 324,000 individuals aged below 21 years to the K-Bente program. GM Salve and Independent Board Randy noted the difficulty in enrolling the additional individuals.

A decision must be reached because the program must be renewed by June 8, 2018.

BoT adviser Letty commented that the reduction in death benefit would not be welcomed by members. GM Salve, however, reminded her that the insurance coverage is given freely as a members' benefit.

In order to avoid any confusion on the part of the members, BoT adviser MeAn advised the Board to rebrand and re-launch K-Bente under a new product name. Members should be informed that owing to the high number of claims, K-Bente was found unsustainable by Sunlife and will not be renewed. In its place, a new insurance product will be given as members' benefit. It may be named as K5-3M.

Independent Board Randy thought of a scenario where despite the new product features, Sunlife may, at the end of the period, claim that the product is not sustainable. Will KMBA then agree to rebrand again the same product? Should this happen, GM Salve said KMBA may decide no longer to renew the product. It may be safe to conclude by then that the product is not sustainable.



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BoT Beth thought that it would be good to try K5-3M with its new features and find out if it will be better than K-Bente's performance. A deliberate campaign to explain the new product will help members appreciate the same, added BoT Marilyn. She then moved for the approval and subsequent launch of K5-3M. BoT Tess seconded the motion.

BOARD RESOLUTION NO. 26, Series of 2018: RENEWAL OF THE K-BENTE INSURANCE PRODUCT

RESOLVED to renew the K-Bente insurance product with Sunlife-Grepa and approving its new product features of Php 5,000 death benefit for any cause, with a three month contestability period for new policy-holders.

H. Proposed Video Production

The proposed video will serve as among the IEC materials that KMBA will be used in introducing the Association to new members and explaining the various insurance products, services and benefits it offers. Based on a meeting with a prospective video editor, the video production is estimated to cost Php248,000, VAT inclusive. It will require six months of preparation to be able to capture important KMBA events. Part of the inputs will be interviews with BoT members.

An eight to ten-minute video should be long enough, according to Sir Randy. In addition, a one to two-minute variation would be useful in presenting KMBA to current and prospective members alike. For Sir Noel, however, the purpose and target audience of the video should be clear. He also asked in which platforms the video will be presented. Will it include social media? BoT Adviser MeAn said that preparing the video and deciding its contents will be difficult if there are different sets of audience targeted.

Given these questions that must still be resolved, the Board deferred the decision on the proposed video production.

IX. Updates

A. KJSP 2018-2019

The number of slots available under the scholarship program as well as the screening process have been duly explained to the Satellite Offices.

B. Building Construction

Arch. Eric Vincent Yusingco, as project manager, gave the Board a brief project background and went on to report updates on the ongoing construction of the KMBA Building.

Keys to the property were turned over to Rodsy Construction, the building contractor, last April 2, 2018. Demolition of the existing bungalow house started on April 10, and was completed on April 23. Ground-breaking ceremonies were held on May 3. The same was witnessed by members of the Construction Committee and the rest of the Board of Trustees. It was also the day of the first concrete pouring.



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As of May 30, there have been 6 concrete pouring. Rodsy is slightly ahead of the agreed construction schedule.

Arch. Yusingco shared with the Committee pictures documenting the work of the contractor. He told the Assembly that Rodsy is ensuring that the foundations are strong to support the five-story building. In fact, the columns have two-meter deep foundations. Efforts are also undertaken to guarantee the safety of and order in the neighboring community, as well as respect of the environment.

X. 2017 Audited Financial Statements

Mr. Mark Babor, a partner from BDO-Roxas, Cruz, Tagle, and Co., KMBA's external auditor, presented the results of the independent audit of the KMBA Financial Statements for 2017.

In general, the audit found that KMBA's processes in terms of documenting its financial transactions are appropriate for its size and nature of business. The controls it has adopted are adequate to prevent and identify fraudulent acts. It is also compliant with government rules and regulations.

One item that needs improvement, and which Mr. Babor underscored as essential for KMBA to do, is to establish an offsite back-up information system. This will protect KMBA's business in case any untoward incident compromises the records it keeps in its principal office. GM Salve responded that this same finding has been made by previous auditors, and one that KMBA really must address soon.

The following are the financial highlights:

- Revenues up by 4%
- Net Revenues down by 22%
- Cash up by 10%
- Investments showed no decrease in value
- Fixed assets up by 4200%
- Total assets up by 15%
- Total liabilities up by 11%
- 2017 Net Worth Php68.6M, up by 22%

While revenue for the year is up, when expenses are accounted for, net revenues are down by 22%. The external auditor noted that KMBA's plans to increase its membership fee will be appropriate to support the rising expenses. On the other hand, KMBA is in an enviable position. Its current assets can pay five times for its current liabilities.

Its investments, on the other hand, showed no decrease in value. The 4200% increase in fixed assets is due to the purchase of lot, where the new KMBA building is currently being constructed.

The Board was pleased with the results of the audit and expressed gratitude for the clarity with which the same was explained by the auditor.



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XI. Adjournment:

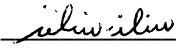
There being no other matters to discuss, the meeting was adjourned at 12:25 pm following a motion by BoT Marissa and seconded by BoT Teresa.

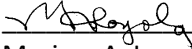
It was announced that the next BoT meeting will be on July 6, 2018.


Prepared by:



Brenda F. Lumbao
Board Secretary


Attested by:

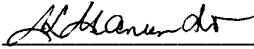

Isabel M. Iliw-iliw
President


Marissa A. Loyola
Treasurer

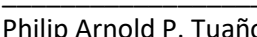

Marilyn C. Aldave
Member


Ma. Teresa G. Bucad
Member


Elizabeth G. Fuentes
Member


Anita L. Manundo
Member


Maria Cleofe Gettie C. Sandoval
Independent Board


Philip Arnold P. Tuaño
Independent Board