

The Methodist Church of Southern Africa

Report of the Lay General Treasurer to Conference 2015

23- 27 September 2015

Colossians 3: 23 “Whatever you do, work heartily, as for the Lord and not for men”

I bring warm greetings from the whole team at the Finance Unit and greet you all the wonderful name of our redeemer and comforter, Jesus Christ.

A Look at the Rear-view Mirror:

Let me start by reflecting on the past 9 months I’ve spent in the office of the Lay General Treasurer and firstly thank my predecessors for the support and encouragement along the way. On a personal note, the landing has been very slippery but none the less, in Psalm 27:13 ***I remain confident of this: I will see the goodness of the LORD in the land of the living.*** It is a privilege and an honour to be able to continue to walk in the footsteps of my predecessors and build on the foundations they laid for the growth of the MCSA and its financial heartbeat.

1. Administration

The Finance Unit’s scope of administration includes but is not limited to pension funds, insurances, medical aid and property. We not only ensure smooth running of the Finance Unit, payments of stipends, pensions, grants and managing a few trusts but we also to ensure that we comply, albeit not always welcome by members, with regulators such as the FSB, SARB, Treasury, Medical Aid Council and many more. In as much as we are a church, The MCSA operates within regulatory and statutory frameworks and we certainly cannot live outside of that.

2. Staff Matters

I am pleased to report that the office move from Durban to Johannesburg has been completed. A large part of the Durban office where the MCO had operated previously is currently being leased out. The Finance Unit has a team of 15 committed, highly skilled staff members who have a passion for God’s people and the MCSA.

As part of an ongoing effort to ensure that we capacitate our lay people, we have also established a Financial Compliance Team whose core focus would be training on financial administration and also perform audits on all 4C& 4S schedules. Schedules cannot be completed for the sake of being completed but must be completed accurately so as to give a clear picture of where we are.

As expected with any office move and new staff, there have been teething problems, however we continue to train staff and grow together as we find ways of working more efficiently and diligently. As a team we have embraced the calling to serve the MCSA, its clergy and their families and also act as good stewards for the Kingdom of Christ.

We encourage the connexion as a whole to give us feedback, criticize when necessary but please do so constructively. All channels of communication are open and WE ARE HERE TO SERVE YOU FAITHFULLY.

3. Pension Fund matters

It is pleasing to report that the ongoing dispute concerning the Methodist Supernumerary Fund over the past seven years has finally been put to rest. Judge Combrinck found that Conference had at all times been duly constituted and had acted within its decision-making powers, and in his award handed down on 12 February 2015, the claims by the complainants against the MCSA were dismissed.

It is unfortunate that this matter has dragged on for so long and in the process has caused a lot of confusion and pain and has tainted the image of the of the MCSA. It is my prayer that we find constructive ways of moving forward.

Conference 2012 reaffirmed the need for district dialogues around the Supernumerary Fund. Now that the arbitration has been finalised, the Trustees will be conducting educational roadshows across the connexion in the first 2 quarters of 2016. Dates have been agreed with district bishops and will be included in the 2016 Connexional Diary. I urge all members to actively and constructively take part in these roadshows.

Despite market conditions, the Pension Fund Trustees are satisfied that the funds are in a great position. The Fund positions as at 31 Dec 2014 can be summarized as follows:

- The Supernumerary Fund has a Market Value of R 1.4 billion with an annualized return on investment of 11.15%.
- The Provident Fund has a Market Value of R27.3 Million with an annualized return on Investment of 10.08%
- The Lay Staff pension Fund has a Market Value of R56.1 Million with an annualized return on investment of 10.46%

This has been exceptional growth.

The Pension Funds are compliant with Regulation 28 limits as required in terms of the Pension Funds Act No 24 of 1956. I am also pleased to report that we had a routine visit from the Financial Services Board in August and the Trustees were able to assist the FSB in the analysis of our funds.

Looking forward, micro economic issues keep changing, the rand has weakened and tight monetary policies internationally and locally indicate that we will may not be in a bullish market for a long stretch. Based on these facts, it is clear that the Trustees will be focusing energies on nothing else but constructively ensuring that the funds continue to grow for the benefit of all members and their beneficiaries.

4. Ministerial Student Fund:

District Donations to the Ministerial Student's Fund are showing a concerning decline. With the increasing cost of education, my plea is for us all to take this fund seriously and make deliberate attempts to highlight the good work done from funds received and the need to ensure continued development and training of our ministers. I would like to thank all districts that have been faithfully donating to this fund.

5. Arrears and non-submission of schedules

It is unfortunate that in my maiden address to this conference I also have to dwell on the not-so-good stories esp the arrears. My predecessor's reports have all stressed the need for us to keep the arrears report clean.

The Arrears report is enclosed in the Conference Finance Unit book. As at 20th June 2015, 43% of circuits were in arrears, totalling R4.6 million. This not only impacts negatively on the administration but more so affects the minister and the family units directly. If stipends are not paid, this means that that minister would not have contributed to their pension fund. More often than not, we seem to want to resolve internal disputes by holding on to assessments. Holding back on assessments is not a solution.

Our analysis also reveals that there a number of circuits where ministers are being paid directly and not via the MCO as required. All ministers are required to pay PAYE, paying directly means that the recipient of this undeclared payment is not being taxed appropriately and thus evading tax. This is not only dishonesty but simply put- IT IS FRAUD. I strongly caution against this practice.

The team in the Finance Unit has been inundated with requests for us to amend payslips to reflect these undeclared allowances/payments. Please note that we are in no position to amend payslips for any credit applications. This practice needs to stop and proper processes followed.

The due date for submissions of 4C and 4C schedules to the MCO is within 2 weeks of Synod rising. As at 8th August, 170 4C schedules had still not reached the MCO and I am also disappointed at the number of inaccurately completed schedules that we have received.

At the last superintendents training held at Emseni in Aug, I stressed the need for all superintendents take deliberate interest in finance administration, governance and accountability to ensure that Lay Leadership is not only equipped on requirements in line with our laws and discipline , but that they are supported in carrying out their roles.

- The Superintendent of the Circuit is the official head of the Church in the Circuit and shall exercise authority and carry out duties as such subject to the directions of the Connexional Executive and the Laws and Discipline of the Church, being responsible in the first instance to the Bishop. (book of order 7.16)
- Simply put – Superintendents are Presbyters who in exercising their ministry, undertake particular responsibilities on behalf of the CE.

Par 9.87 of the L&D is very clear on what steps need to be taken. I ask that Conference reaffirms and implements this clause be taken seriously. District Bishops have all received letters to this effect.

The MCSA cannot submit its schedule to the SARB if we don't receive schedules from circuits. Our late submission to SARB will not only affect the TAX exemption status but also result in heavy penalties being levied against the MCSA and to recover this amount, CE has endorsed the proposal that FU recovers this amount by levying a fine on each circuit that has not submitted.

Perhaps I should highlight what's at stake for us a BPO:

- Exemption from donations tax – Sect 56(1)(h)
- Exemption from Estate Duty tax re estates of deceased persons – Sect 4(h).
- Exemption from income tax on receipts and accruals – Sect 10(1)(cN)

The MCSA tax exemption status needs to be maintained and this can only be done through your corporation.

6. Medical Aid matters

In May this year, Topmed embarked on Medical Aid Roadshows. We only received invitations from 2 districts (Natal West and KNB districts). The feedback received was constructive. Topmed has taken note of concerns, we continue to engage on operational issues on a monthly basis. Please give us feedback. I believe this will not only enable to us to improve benefit structures but also get a sense of where are as church but allows to assist in improving the state of wellness of our members.

However I also need to highlight that the cost of medical aid in South Africa and internationally is very high, the medical schemes council has tight regulations around medical aid schemes, thus keeping medical costs where they are is becoming unsustainable.

On the upside though we can expect some changes in 2016 with a possible increase of the Overall Annual Limit (OAL) to R1 million per beneficiary for 2016.

A Wellness benefit has been added which means that certain tests can now be done i.e. Mammograms, Prostate screening, Pap smears, etc. We will be sending medical aid booklets shortly after conference.

I still urge Districts to invite us for this very important engagement.

7. Stipend Increases for 2016.

Inflation is expected to be around the upper level of the SARB's target band at the end of this year around 5.5% to 6%, largely due to base effects from a petrol prices last year as well as rising electricity costs and food prices.

Generally over the past, stipend increases have been far ahead of inflation which also increases circuit assessments.

We still recommend that additional Stipends NOT be increased above 1% of the recommended of 7.05% for 2016. Exorbitant additional stipends not only make it difficult to maintain the 80% target as per the pension increase policy but also complicates the stationing process in that ministers become either unaffordable or are unwilling to take up stations where additional stipends are lower. Going forward, the Finance Unit, together with the district Bishops will be spending more time relooking at the processes around additional stipends paid by circuits. All Stipend authorization forms for 2016 need to be submitted on time. Without these forms, the Finance Unit is unable to pay stipends in January, this also impacts of PAYE, pensions and various other deductions. Going forward, as agreed with District Treasurers, all stipend forms are to be sent to district treasurers who will submit them to the Finance

Unit but also ensure that they have been correctly completed as required. Further communication will be sent to all districts soon after conference.

8. Property and Insurances

Work is well underway on the property unit and we will be continuing with property audits going forward to ensure that our property wealth is well preserved and used for income generation to alleviate some of the financial strain connexionally. I would like to stress the need for all circuits to ensure that properties are insured and that all construction/ alteration work complies with building regulations and general regulations as stated in Ch 10 of the L&D.

9. Mozambique District

In 2012 my Predecessor reported that there had been R500 000 put aside for property development in Mozambique. This year, I visited the district to get a progress report on the work done in the district and to facilitate a finance workshop with district leadership.

It is refreshing to report that indeed God is at work in Mozambique. Our brothers and sisters in Mozambique expressed their hunger for an improved connexionality not only with regards to finances but also intentional actions around agency that would reaffirm that this discipleship movement is indeed one and undivided.

The construction of a church and a retreat centre is almost complete at Inhaca Island. I look forward to continued engagements, collaboration and development projects that will assist Mozambique district in improving its finances.

Would like to extend a word of appreciation to Bishop Matsolo and the district leadership.

I am pleased to also report that for the first time since the establishment of the SAF, the trustees have put aside R108 000.00 towards Augmenting ministers in Mozambique from January 2016. I appeal to all ministers and organisations to consider voluntarily contributions to this Fund, please indicate to the Finance Unit should you wish to assist in keeping this fund healthy.

10. Reports for approval and adoption

The 2014 audited Annual Financial Statements for the MCO, the Methodist Millennium Resource Fund, the Finance Unit Order of Business together with the Arrear Reports, the Unit Budgets, Reports on the Pension Funds, amendments and all other relevant reports are attached to the Finance Unit Report to CE and Conference 2015 for reference and adoption.

11. Conclusion

We can only improve with feedback, communication and cooperation. Let us know where the needs are. We will in turn do our best to train, inform and equip.

I would like to thank my team at the Finance Unit for all their dedication, handwork, commitment and passion for Christ despite the challenges. Most importantly would like to encourage the connexion at large, especially district Bishops and Treasurers - work with us, talk to us and guide us as we TOGETHER worker build this movement.

As John Wesley put it “Do all the good you can. By all the means you can. In all the ways you can. In All the places you can. At all times you can. To all the people you can. As long as ever you can” .

Thank you.