

**THE METHODIST CHURCH OF SOUTHERN AFRICA
METHODIST CONNEXIONAL OFFICE**

REPORT TO THE 2013 CONNEXIONAL EXECUTIVE AND CONFERENCE

1. Pension Fund Arbitration Matter

The Adjudication through the Pension Fund Adjudicator (PFA) is complete and nothing more needs to be done in that regard.

The Trustees and the Church have been found to have acted properly by the PFA.

On the other hand we advise that the previous Arbitration complaint has been withdrawn completely but the complainants have submitted a new complaint for arbitration.

The Church will respond to the new complaint and thereafter all the documents will be submitted to the Arbitrator who will decide what needs arbitration and the process to be followed.

2. Standardised DTP Control Foms

A Standardised District Trust Properties (DTP) Control Form has been approved by the MCO Executive and CE for implementation by all Districts with immediate effect. From now on all property matters whether new structures, alterations, purchases, sales, leases, loans must be made to the DTP using this Control Form. The Form is attached to the MCO Business for Bishops to implement through their respective District Executive Committees.

3. MCSA Strategic Plan on Property

A strategic property plan is essential for the MCSA and it is clear that such a plan must begin at District level in consultation with their Circuits. CE has, therefore, approved a Resolution requesting Conference to direct DTP's to investigate and propose strategies for the effective stewardship of properties within their District. This should be submitted to the Connexional Trust Properties Committee which will formulate a comprehensive property management strategy for the Connexion. The Resolution is attached to the MCO documents.

4. Conference Resolutions 2012

A Centralised Connexional Office

The 2012 Conference directed that the Presiding Bishop's Office, the MCO and the all Units of our Church be re-located together in one place. As should be appreciated this is a huge task as it involves the relocation of the administrative and financial heartbeat of the church

which has operated out of Durban since 1936, some 76 years. It also means the loss of excellent, trained staff who will have to find new jobs and the employment of new untrained staff as well as the acquisition of a suitable property in which to house a centralised MCO - which will encompass the PB's Office and all the Connexional Units from JHB, Durban and Pretoria. We investigated the possibility of a Durban based MCO but decided that Johannesburg was the correct location. It was also decided that now is the right time for centralisation of the MCO for a number of reasons, especially that of staff considerations and certain retirements which occur in 2014. After a considerable search we have found and purchased a suitable property in Bruma, JHB very close to where the existing JHB office is located. It is a modern, stand alone office block comprising 3 floors, a parking basement with sufficient space to earn rental income from outside tenants and it is the first property to be registered in the newly established MCSA Properties Company (Pty) Ltd. The plan is, that once renovations are complete, the JHB and Pretoria Units and the PB's Office will move into the building and be ready for a start in January 2014. The Durban Office of the MCO will move in May 2014 after all IT issues and audits are complete. We trust that you will hold us in your prayers. Please also understand that there will be times that we are not able to answer queries and attend to certain matters due to circumstances. It will be good to remember those who are not able to move to JHB because of family circumstances. They have been an incredible asset to the church and our thanks go out to them.

RESOURCES

Since all of the 2012 Resource Resolutions related in one way or another to the same issue of raising funds it was agreed by the MCO Executive and CE that the General Secretary establish a Task Team to investigate and make recommendations on these issues. However, in the MCO Conference book, you will see the responses made to each of the Resolutions.

5. Viability of Circuits, Arrears and non-submission of 2010 Form 4C's
Please refer to the MCO Conference Book for the full report. I again highlight the concern I have about Circuits having difficulty in meeting the deadline for the payment of assessments to the MCO by the 19th monthly. Many Circuits pay between the 22nd and the 29th monthly. The problem is that MCO must decide by the 20th who can be paid a stipend on the 25th and who can't. Unpaid stipends are extremely disruptive to the Minister and unnecessary. I again ask Bishops and Circuit leadership to please address this issue urgently.

Last year 30, and this year 31 Circuits, are more than 2 months in arrear amounting to R1.9 million. This needs the attention of Bishops and their DEC's. Very often the arrear is not about affordability but about internal disputes.

I again emphasize that All 4c's and 4s's must be submitted to the MCO by the District Treasurer by 15th June (2 weeks after Synod). It is their responsibility to ensure that this happens. In this regard the MCO has created a website www.methodist.org.za/units/mco from which the 4c and 4s Schedules and the "Accounting Procedure for Circuits and Societies - 2013 Edition" can be downloaded. The Schedules have been updated and the new version of the 4c and 4s must be used for the 2013 accounts onwards. Please ensure that your Circuit Stewards, Treasurers and Auditors are made aware of this information. The web page will be available from December 2013.

The MCO is disappointed to report the poor quality of submissions of the 4c and 4s schedules. Many Circuits have been queried on incomplete, unbalanced and shoddy accounting standards that these schedules reflect. It is of great concern that these poor quality financials are signed off by those with accounting qualifications. Far more care is needed in this regard. Incomplete and incorrect schedules will be returned to Circuits for correction. The new Accounting Procedure booklet referred to above will help in this regard. Please obtain a copy of it and apply the principles which are specific to the MCSA.

Stipend Increases for 2013

Circuits were requested not to increase 'Additional Stipends' by more than 1% above the MCO recommended increase of 7% for 2013. The request was generally ignored and Increases in 'Additional Stipends' made at Circuit level averaged 15.35%. This resulted in an average increase of 10.9% in stipends for 2013. We have said that if increases remain high, it may become necessary to levy an additional assessment on those Circuits that exceed the recommendations, intervene or amend the Church Pension Increase Policy. For 2014 we are requesting that total stipend increases do not exceed 8% and this includes the Additional Stipend granted by circuits. The average cost of a Minister to a Circuit for 2013 is R435 000 p.a.

6. Financial position of the Church and the Pension Funds.

I am pleased to report that the Financial position of the MCO, the Pension Funds, the Millennium Fund and the consolidated accounts for the church as a whole all showed satisfactory growth and reflect a sound financial position. I mention that the Supernumerary pension

increase in 2013 was 10.9%.

7. **REPORTS FOR APPROVAL AND ADOPTION**

The 2012 audited Annual Financial Statements for the MCO, the Methodist Millennium Resource Fund, the MCO 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 MCO Report to Conference 2013 for reference and adoption.

8. Appointments

CE appointed the following people to the MCO Executive Committee for 2014 to 2016: Rev Madika Sibeko, Rev Jacob Freemantle, Mesdames Judy Simons, Nomafrench Mbombo, Faith Nodada and Nombasa Hlati.

9. Insurance and Medical matters.

Two matters need to be highlighted. First: Underinsurance. Earlier this year the Windhoek church was virtually destroyed by fire. An independent insurance assessor went in to assess the damage and part of the process is to value the church prior to destruction so that the claim can be assessed. He valued the building at R1.1 million. However, the building was only insured for half that amount. The result is that the term 'average ' applies to the claim. This means that if the building is insured for 50% of its value only half the claim will be paid. This is obviously a real problem that should have been avoided by insuring correctly.

Unfortunately there are many church buildings that are underinsured and if yours is one of those you need to make sure that you correct the insured value with the MCO in order to avoid what has happened in Windhoek. Please take the trouble to check your values with your stewards when you get back home.

The second issue is the number of times that dubious claims are submitted. Please be aware that assessors are employed to assess claims and if they are dishonest the reputation of our Church and Ministers is severely tarnished. Beware Ministers - your reputations are on the line.

This is a problem that must be sorted out and another related to this is the number of Ministers who are openly rude and disrespectful to our various service providers - not only on the insurance side of things. Please be courteous to all our service providers.

On the Medical Aid front I need to advise that over the past few years there have been a number of medical aid service providers who have amalgamated with other providers with the result that the number of medical aid schemes is diminishing. In this regard I wish to report that

Pharos is in advanced negotiations to amalgamate with Top-Med. The amalgamation will see the name of Pharos disappear but the Methcare Plan will continue unchanged under Top-Med. It is anticipated that the amalgamated entity will operate from January 2014. There will be no change to the Methcare Plan except for the name change to Top-Med. Currently Pharos have 6500 principle members and Top-Med about 17 500. The combined membership will be approx 24 000. The MCO have no objection to the amalgamation and believe that it will be beneficial not only because of the increased numbers but because the reserving will improve substantially and the Methcare Plan will be retained. Members will be receiving voting forms and we ask you all to make sure that you vote in favour of the amalgamation. Please contact your fellow Ministers and tell them to vote positively for this and make sure they submit their votes on time.

10. SUCCESSION PLANNING

My term of office as Lay General Treasurer is rapidly coming to an end as I plan to retire at the end of 2014 having seen the move of the MCO to Johannesburg through. My very first Conference was here in Mthatha in 1994 and I praise God that much has been accomplished but much is still to be done. We need to find a successor to this position and that person needs to spend a year with me in order to grasp the magnitude of the position. I ask, therefore, that you be very deliberate in helping us to find my successor. I am certain that we have a capable, called Methodist in our midst and we need to identify that person in the next few months.

In addition we are looking for MCO replacement staff who will be JHB based from May 2014. Of the 17 staff currently at MCO only 3 will remain beyond 2014. 2 of us will commute and train until the end of 2014. So we are looking for good quality financial administrators and again I am sure that they will be identified with your help and assistance. We will be advertising the positions in February 2014. Please be on the lookout.

It remains for me to once again thank our dedicated Staff at the MCO who continuously look after the Church's interests in a prayerful and fastidious way. They have a lot to be commended for as they have shown that they are there to assist and serve you to the best of their ability.

Thank you.