

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

**REPORT TO CONFERENCE 2012**

1. Supernumerary Fund - Adjudication

I am pleased to advise Members of Conference that my report will be much shorter than the previous 3 years. This is because we have received a Determination, dated 20 June 2012, from the Deputy Pension Funds Adjudicator regarding the second complaint lodged by Rev Palos and others.

In this Determination the Adjudicator has dismissed all of the many complaints except for one that required the Trustees to deal with a premature apportionment of part of the Fund's surplus which was made on 15 December 2007 instead of 1 January 2008. The Board of Trustees met on the 4<sup>th</sup> July 2012 and re-affirmed the apportionment of the surplus to the Employer Surplus Account with effect from 1<sup>st</sup> January 2008 and agreed to repay the premature allocation, together with investment returns, to the Supernumerary Fund.

The Adjudication is now complete and the actions of the Trustees and the Church have been justified and upheld by the Adjudicator.

Subsequent to the latest determination Rev van Niekerk, the other complainant, resigned as a Trustee of the Supernumerary Fund and has stated that he wants no further part in the dispute. Rev Palos is, however, still determined that the matter should now go to arbitration. This, despite the fact, that a respected National body, the Pension Funds Adjudicator, has made a determination.

I point out that this is third dismissal of the complaint. The Pension Fund Adjudicator dismissed the first complaint on the 2<sup>nd</sup> February 2010, the second complaint on the 20<sup>th</sup> June 2012 and the Independent Regulatory Board for Auditors (IRBA) dismissed the complaint lodged by a Mr Theunissen against our Auditors in 2010. In addition this matter has been before Conference, which is representative of all the Districts, for the past 4 years -- and Conference, the Trustees, and all the other bodies have always confirmed their decisions in this regard.

The question to be asked of Conference is this : ' Is the additional cost of an Internal Arbitration warranted in the light of these determinations?' However, unless Rev Palos is persuaded otherwise we will proceed.

Please refer to the summary of the benefits, in the MCO Conference Book, that have accrued to Members of the Supernumerary Fund and the Church since the conversion of the Fund and the implementation of the Variable Contribution Rate.

2. Viability of Circuits, Arrears and non-submission of Form 4C's

Please refer to the MCO Conference Book for the full report. I wish to highlight the concern I have about Circuits having difficulty in meeting the deadline for the payment of assessments to the MCO by the 19<sup>th</sup> monthly. Many Circuits pay between the 22<sup>nd</sup> and the 29<sup>th</sup> monthly. The problem is that MCO must decide by the 20<sup>th</sup> who can be paid on the 25<sup>th</sup> and who can't. Unpaid stipends are extremely disruptive to the Minister and unnecessary. I ask Bishops and Circuit leadership to please address this issue urgently. We have appointed a credit controller and she has a difficult task which needs the support of church leadership.

Another concern is that 30 Circuits are more than 2 months in arrear amounting to R1.6 million or approx 50% of total arrears. This is far too high and needs attention by the Bishops and their District Teams.

I again emphasize that All 4c's and 4s's must be submitted to the MCO by the District Treasurer by 15<sup>th</sup> June (2 weeks after Synod). It is their responsibility to ensure that this happens.

3. Reports from Pension Fund Trustees  
Supernumerary Fund

The Actuarial review of the Supernumerary Fund confirms that the Fund is in a sound financial position.

In terms of the Pension Increase Policy the overall pension increase will match the average increase in Active Ministers' stipends which was 8.27% in order to maintain the 80% target to stipends. All Supernumeraries received the pension increase that the Supernumerary Fund could afford which was 6.74%. An additional increase of up to 1.53% was paid to Supernumeraries in order to bring them up to the required benefit level from the Church. Most Supernumeraries received the full increase of 8.27% in 2012.

4. Church Pension Increase Policy

We highlight the fact that this Policy is to be reviewed each year by the Investment and Advisory Committee, the Trustees and the Church.

In the MCO Conference Book we set out The Supernumerary Fund Pension

Increase Policy dated 6<sup>th</sup> April 2012 and The Church Pension Increase Policy dated 16 April 2012 for your interest and attention.

5. Stipend Increases

In the Church Pension Increase Policy we have given a cautionary notice that highlights the fact that 1) stipends have been increasing well ahead of MCO recommendations, 2) investment returns have been lower than in previous years and 3) that the world economies are under pressure. The combination of these factors may well affect the ability of the Church to maintain the 80% target to stipends and pension increases may be lower than the target in 2013. In the light of the cautionary notice we request that Circuits do not increase 'Additional Stipends' by more than 1% above the MCO recommend increase of 7% for 2013. Increases in 'Additional Stipends' made at Circuit level are generally much higher than that recommended by the MCO which is problematic for affordability. In fact some additional stipend increases are way over 25%. 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. We have attached a Schedule of the average cost of a Minister to a Circuit for 2012.

6. Reports for approval and adoption

The 2011 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 CE and Conference 2012 for reference and adoption.

7. MCO Staff

I am pleased to advise that the appointment of Mrs Joanne Trytsman has worked well and she has successfully taken over as Director of the MCO from Mrs Glynis Stokes who retired at the end of 2011. Mrs Martie Hildyard has taken over as Principal Officer of the Pension Funds.

It remains for me to thank the PB for the smooth takeover from Ivan, my colleague and fellow General Treasurer the Exec Sec and our dedicated Staff at the MCO who continuously look after the Church's interests in a prayerful and fastidious way.

Thank you.