

The Methodist Church of Southern Africa

Report of the Lay General Treasurer to Conference 2017

06 – 10 September 2017

Presiding Bishop, General Secretary, Lay President, Members of Conference, I bring warm Christian greetings from the Finance Unit in the wonderful name of our lord and saviour.

I would like to steal words from the 111 Psalmist:

“Great are the works of the LORD;
they are pondered by all who delight in them.
³ Glorious and majestic are his deeds,
and his righteousness endures forever.
⁴ He has caused his wonders to be remembered;
the LORD is gracious and compassionate.
⁵ He provides food for those who fear him;
he remembers his covenant”

It is a great honour for me to be able to stand, once again, before this Conference, to bring news, good and bad, around the financial health status of this Connexion. I am also blessed to have a great team of colleagues at the Finance Unit, men and women who take great pride in the work of serving the Methodist Connexion. I wish to thank the PB, GS , Unit Directors, Bishops and this Connexion for your continued prayers and support.

1. Administration

The Finance Unit’s scope of administration includes but is not limited to payment of Stipends and Pension but also extends to the administration of Pension Funds, Insurances, Medical aid and Property.

A Look at the Rear-view Mirror: There are the good and the bad. I would like to touch on the bad first:

We all know and hopefully follow the news in SA. We are a country that finds itself in an unstable market economy with a long list of politico- social issues that ultimately have made the life of every individual complex. With the recent down grades by rating agencies, we are have experienced a glimpse at a recession, unfortunately the poor have felt it more in a short space of time .

Inflation is currently projected at 4.36% and although we heard that we are slowly showing signs of recovery, it’s too early to celebrate.

The good news is that, unlike the 2008 Global crunch, we have an opportunity to work through some of the necessary changes in behaviour as Church and self-correct some of the practices that do not speak

to our activities a PBO. It is critical for us to exercise care and caution when dealing with Church finances. I caution our circuits, units and organizations to guard against fruitless expenditure at all times.

2. Policy on Effective Financial Management:

This policy is attached as an Annexure of the Order of Business for Conference. The Connexional Financial Policy was revised in 2016. This policy applies to all structures within the MCSA and including Organizations, Units and other Institutions. It supersedes all other policies and no Finance Policy may deviate from prescribed limits set in this Connexional policy.

I am pleased to report to conference that there has been great response by units, organizations and institutions on the requirement to submit annual Competency Assessment questionnaires and AFS.

3. 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 districts to take this fund seriously to ensure continued development and training of our ministers. I would like to thank all districts that have been faithfully donating to this fund.

4. Arrears and non-submission of schedules

The Arrears report is enclosed in the Conference Finance Unit book. As at 20th May 2017, 15% of circuits were in over 2 months in arrears, totalling R5.5 million. This not only impacts negatively on the administration but more so, affects agencies and the family units directly. If stipends are not paid, this means that that minister would not have contributed to their pension fund. The notion that holding back on assessments will resolve our conflict is misleading. I urge all of us to deal with conflict appropriately and through clear processes outlined in the book of order.

We continue to note that there are ministers who are paid directly by circuits, this practice needs to stop. All amounts received are required to be taxed appropriately. Not doing this is evading tax.

Perhaps I should bring to conference the work recent developments around the work done by the CRL commission in its endeavour to investigate the commercialization of religion. The fact of the matter is that we need to guard against using Church funds for purposes that they were not intended for. This will not only lead to hard penalties but may affect of Tax exemption status. We have rules, procedures and governance frameworks, what we lack is the discipline and commitment to our own processes and procedures.

The due date for submissions of 4C and 4S schedules to the MCO is within 2 weeks of Synod rising. As at 5th September, 154 4C schedules had still not reached the Finance Unit. I would like to particularly thank the Central District for having submitted all their schedules. The Finance Unit has made available the services of the Compliance Unit to assist with the completion of these schedules and facilitated training, thus I am disappointed at the number of none submissions of schedules.

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

5. District Treasurers Code of Conduct:

I would like to commend the panel of District Treasurers for applying their minds and putting together the Treasurers conduct. Treasurers are appointed for various bodies within the MCSA. They come from a variety of backgrounds and have divergent skills. Great responsibility is given to them, but often they are required to work in isolation without collegiate support. The Book of Order details WHAT must be done but not HOW the task should be approached. The District Treasurers Consultation, recognising the difficulty this created for Treasurers throughout the Connexion, requested the Treasurers General to facilitate the introduction of a Code of Conduct for Treasurers.

The Book of Order takes precedence over this Code of Conduct. District Treasurers will ensure that this is included as part of their training at district level.

6. Relationships with Homes, schools and Institutions:

We have number of Home and Institutions who care for the Vulnerable, the elderly and children which are under the MCSA and carry the Methodist of Southern Africa name. The Church has not been as involved with all of these institutions at an operational and governance level. We don't always have full knowledge and assurance that all these institutions have proper Governance in place, we are at the moment unable to also assist when there are dire needs.

We have since made contact with the some of our home including the Methodist Homes for the aged, and have started on a way forward for us to keep each other accountable, protect the Methodist brand and work toward carrying for those who need this care the most.

CE has mandated the MCO to set up a Connexional committee that will coordinate the work between the MCO and our institutions.

7. Supernumerary Fund Reserve and Church Reserve Fund:

Conference 2016 resolved that the finance unit should formulate guidelines that will govern the purpose and uses of the Church Reserve Fund and the Supernumerary Fund Reserve for Conference approval.

This document, which contains the guidelines and the history behind the 2 funds, is before the conference resolutions committee.

What is important to highlight is that the Supernumerary Fund Reserve exists for the benefit of the pensioners on the Supernumerary Fund and provides for the difference in pensions for Members of the Supernumerary Fund, who entered Ministry when the Defined Benefit Fund was in existence, but who are now, with all others, in a Defined Contribution Fund.

If a Pensioner would have received a greater pension under the old system, that difference is calculated by the actuaries, and the difference is paid to the Pensioner from this fund.

The church undertook to do this as long as it was financially able to do so. The proposal of the Finance Unit Executive to Connexional Executive is that this system ceases with the intake of new Ministers in 2016. Such individuals will be on a purely Defined Contribution system.

The Church reserve Fund was established in 2005. At Conference 2015, Conference directed 25% of any distribution to the Church Reserve to be set aside for Church Planting.

The Finance Unit Executive 2017 proposes to Conference that the aims and uses of the Church Reserve fund in the form of a resolution.

8. MCSA Strategy on Property

Conference 2016 endorsed a resolution R2.23 giving effect to the allocation of R1m towards the establishment of a Property Unit and the appointment of a Property Officer.

The search for a candidate with the appropriate skills and experience is work in progress. We hope to have the candidate employed by the end of September 2017. The next meeting of the Connexional Trust properties committee is scheduled for the 4 Quarter of this year and we trust that the work of the unit will progress significantly

Noting the need to fund our property portfolio Connexionally as a property for mission campaign proposal was sent to CQM's for discussion. The feedback will be discussed in the Finance & Property Commission at conference.

9. Medical Fund:

The Medical continues to be a challenge that keeps changing face. I trust that through education and constant communication we will get to a place where we are able to understand the MCSA Topmed plan. I will to highlight that with the rise in medical aid tariffs maintaining our medical plan has necessitated the need for us to look into various ways of maximizing some of our benefits.

One way of to soften some of the costs of member co-payments is to take out GAP cover Insurance. Gap cover is designed to cover those gaps created when your doctors or specialist charges more for in-hospital services and treatment than the amount refunded by your medical aid.

Changes to Supernumerary Medical fund contributions: in the spirit of ensuring that we are able to meet the obligation to fund medical for our supernumerary ministers and to address some of the justice issues, from 1 July 2108 onwards, the contribution towards the medical fund for supernumeraries will be as a percentage of the Monthly pension. Thus a pensioner receiving a R5 500 Pension will contribute a bit less compared to a pensioner with a R10 000 pension per month.

10. Methodist Joint Removal Scheme (MJR):

I seldom speak about the MJR scheme as its one of those administrative responsibilities of the Finance Unit that should be easily managed. However based on some of the challenges we have had in the past year which threaten the cost effectiveness on the scheme.

In order for us to keep to the budget for the removal of ministers, it is crucial for all ministers on the move to cooperate with the removal scheme.

- Average ministers moving per year increased from 99 to 145 in the last 3 years
- To date the MJR scheme has saved the church in excess of R 16 million.
- An average delivery time of 1,8 days nationwide
- Completion of scheme in 3.5 weeks

Thus I wish to re-enforce the rules of the scheme as communicated to all ministers on the move.

Most importantly, No additional inventory will be moved without prior approval from the Finance Unit. Thus in a nutshell, should a minister on the move have excessive inventory, this will be billed separately and will be for the ministers account.

I also need to remind us that we should treat our service providers with courtesy and professionalism at all times and always remember that we are the MCSA at all times.

11. Stipend Increases for 2018.

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 minimum stipend increases. The Minimum Stipends and stipend assessments for 2018 be increased by 6.8% to R10 714 for ordained ministers per month and that Total Stipends increase by not more than 7.8% for 2018. We request that this be complied with.

12. Housing allowances:

The minimum recommended Housing allowance of R4 500 for ministers has been the same for a number of years. Conference 2015 instructed the Finance Unit to revisit this and propose a revised amount.

The average housing allowances for Ministers Connexionally is R6 900.00 with 62 ministers currently receiving housing allowances as per our payroll.

Thus the recommended minimum housing allowance for minister who reside in their own homes is R6 500 pm.

I draw the attention of conference to paragraph 9.68:

Accommodation for Ministers “In addition to the payment of minimum stipends, Circuits shall provide Ordained Ministers and Probationers with suitable free furnished accommodation.”

Thus where a manse is rented due to unavailability of manses, the full cost of the rental should be borne by the circuit.

13. Pension Fund matters

13.1 The Supernumerary Fund:

The Market Value of the Fund has decreased from R1.51 Billion in 2015 to R1.50 Billion as at 31 Dec 2016 with a Year to date return of 2.15%.

The interim valuation of the Methodist Supernumerary Fund (the “Fund”) as at 31 December 2015 revealed the funding level of the Pensioners’ Fund to be 125%, before making provision for any Solvency reserve. After allowing for the Solvency reserve, the Pensioners’ Fund was still 111.9% funded and therefore in a financially sound position.

In the past pension increases have been granted in line with the annual stipend increases. This practice was affordable based on the surplus in the Pensioners’ Fund, as well as good investment returns. However the Actuaries pointed out that the practice of following the stipend increases may lead to expectations from pensioners which may not be sustainable in a period of lower investment returns. Additionally stipend increases in 2016 and 2017 are in line with Connexional recommendations which were in line with inflation figures.

Thus recommended pension increases as at 1 July 2017 at 6%.

- The market value of the funds are as follows:
 - Supernumerary Fund is R 1.505 billion with a year to date return on investment of 2.15%
 - The Provident Fund has a Market Value is R 31.3 million with a return on investment of 5.63%.
 - The Lay Staff pension Fund R 44.6 million with a return on investment to date of 2.2%.

The Pension Funds are compliant with Regulation 28 limits as required in terms of the Pension Funds Act No 24 of 1956.

We are also in the process of amending our rules and these will be communicated accordingly by the Pension Fund Trustees.

14. Pension Augmentation fund:

Conference 2016 – Res 2.18 Resolved that Finance Unit create a Pension Augmentation Fund. The Supernumerary Pension Fund Trustee's established a task team to compile the guiding principles and criteria that will be implemented with pensioners, when considering individuals who have been effected by pension justice issues.

This document is before Conference 2017:

The Principles for this Policy are as follows:

1. The minimum pension a pensioner is to receive is R6,000 per month, based on 30 years of service. The monthly pension will then be broken down into R1,000 bands, proportionate according to years of service. For example 25 years of service to R5,000 per month pension. Argen Actuarial Solutions to be consulted on the pension bands and years of service;
2. All pensioners whose entry date is pre 1977 are to be considered, excluding the pensioners whose pension is above the average pension;
3. All woman within the connexion are to be considered, regardless of entry date;
4. Pensioners who served in active ministry outside the South African borders, in the neighboring countries part of the connexion are to be considered.

15. Reports for approval and adoption

The 2016 audited Annual Financial Statements for the MCO, the Methodist Millennium Resource Fund, EAU, EMMU, 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 for reference and adoption.

16. Report for Noting:

The Youth Unit AFS have been finalized after much consultation and work that needed to be done with the Youth Unit Exec. Conference instructed that the Youth AFS should not be tabled at conference prior to being tabled at the CYE/ CYC. Unfortunately due to certain challenges, these were not finalized when the CYC convened in July.

17. 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.

- **“Do you not know that God entrusted you with that money (all above what buys necessities for your families) to feed the hungry, to clothe the naked, to help the stranger, the widow, the fatherless; and, indeed, as far as it will go, to relieve the wants of all mankind? How can you,**

how dare you, defraud the Lord, by applying it to any other purpose?"

— [John Wesley](#)

Thank you.

Mrs T N Ngonyama

Lay General Treasurer