

The Methodist Church of Southern Africa
Report of the General Treasurer: Mrs. Thini Ngonyama
Conference 2018
5 September 2018

1. Administration

Presiding Bishop Siwa, General Secretary, our Connexional leadership, members of conference, I bring warm greetings from the Finance Unit.

I bring this report quoting the book of Mathew: 25:13-40. The parable of the 10 talents, which emphasizes the principle that we are all stewards, no matter how little or how much God has entrusted us with. As stewards, how we care for our God given resources for God's Mission through the MCSA, how we spend and share those resources, matters to God.

I wish to extend a sincere word of gratitude to the men and women I spend more than 95% of my time with in the Finance Unit for their commitment to the MCO and support they give me in ensuring that we carry out our duty as an administrator for the Connexion. Even though it extremely difficult at times, their tenacity keeps us going.

The Finance Unit administers the stipends of all Active Ministers and Supernumeraries; lay staff salaries and we manage 3 Pension funds, administer properties, insurances, medical and various other funds.

Between the last conference and this conference a lot has transpired. It has been a sweet and sour year in that it brought some fairly tough challenges but also great achievements in some of the conversations that this conference has had over the past few years.

I continue to stress the need for all for entities, units and organizations of the MCSA to be mindful of the fact that all their operations are governed by the provisions made in our Laws and Discipline (Book of Order) and cannot function as an independent body be it at society, circuit, unit or organizational level. There is a greater need for closer relationships and consultative processes between the Connexional Office and all these entities.

2. Arrears and non-submission of schedules

The Arrears report is enclosed in the Conference Finance Unit book. As at 20 May 2018, 17% of circuits were over 2 months in arrears, totaling R4.1 million.

This not only impacts negatively on the administration but more so, affects agents directly. If stipends are not paid, this means that that a minister would not have contributed to their pension fund and this has far reaching consequences.

The due date for submissions of schedules to the MCO is within 2 weeks of Synod rising.

As at 5 September, 140 (36%) 4C schedules and 5 4D schedules had still not reached the Finance Unit. The Finance Unit has duly complied with the Laws and Discipline Ch9 in its duty to notify the bishops of none compliance. The Finance Unit has made available the services of the Compliance Unit to assist with the completion of these schedules and facilitate training, thus I am disappointed at the continued disregard for deadlines and our lack of intentional implementation of remedies provided for in the Laws and Discipline.

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

3. Policy for Effective Financial Management

The policy has been reviewed and changes proposed approved by the Finance Unit Executive. Given the stringent audit requirements, I am happy to report that the changes to the policy on effective financial management and audit requirements are as follows:

- **Connexional and District** Financial Statements as well as **Circuits, Societies and Organisations** with an **Income of more than R3 Million** must be audited by a person registered with the Independent Regulatory Board for Auditors (IRBA).
- Financial Statements of **Circuits, Societies and Organisations** with an **Income between R1 Million and R3 Million** must be compiled by a person with a suitable accounting degree.
- **Circuits, Societies and Organisations** with an **Income of less than R1 Million** do not have to be audited, **but the accounting records and Financial Statements** must be **verified as correct** by a person with a suitable accounting degree or diploma. The qualifications must be clearly stated in the Annual Financial Statements. The MCO reserves the right to query, accept or reject the qualifications.

This **Policy Document** should be made available to the Accounting officer to assist him/her with the audit/review/compilation/verification process.

This relaxation of the requirements on financial reporting is to ensure that we are able to meet each other half way in assisting with compliance requirements and in no ways promotes negative behaviour. The Policy is also enclosed in the conference pack.

4. Travel and Accommodation Policy

The Connexional Travel policy has also been reviewed. I urge all units and organizations to align themselves with this policy, especially in so far as it relates to travel reimbursements, per diems and accountability requirements for all members.

5. Insurance matters

Recent catastrophic events such as fires have resulted in the Insurance industry moving into a “hard market”. This basically means that insurers are placing a higher focus on Risk management. The Finance Unit has requested all DTP’s to submit full details of all MCSA buildings that are used or rented out for anything other than Church activities. We need to know who our tenants are and what business they conduct so as to ensure that risks are mitigated as far as it’s possible.

6. Connexional Trust Properties

The work of the Connexional Trust Property Committee has begun under the chairmanship of the Presiding Bishop. The key focus areas this year have been on education and training, revision of Chapter 10 in the Book of Order to be referred to the Revision’s committee and the development of strategies that will enable the Church to unlock its Property portfolio income generation potential.

The South African conversation of expropriation of land without compensation is a crucial conversation for the Church. It will affect us and calls on this conference to start identifying what land we have, what we don’t use and what the needs are in the church and South Africa.

7. Medical Aid matters

We are pleased to report that we have had a breakthrough in the Medical Aid arrangements for ministers and their families. The medical Subcommittee and 2 members of the Finance Executive co-opted by the Presiding Bishop have endorsed the proposal for the Church to move all its members from Topmed

medical scheme to Fedhealth. This, having considered all implications of this move, benefits to members and the possible risks, the committee made a decision for the members to be moved to Fedhealth.

As of 1 August 2018 members were moved to Fedhealth. Because of country specific regulations with regards to medical aids, we are looking at workable solutions for ministers outside the borders of SA. We hope to be able to propose a solution by the end of September. Marsh Mercer employee benefits are the Church's brokers on the plan. The Church's 19% contribution of stipend to the Medical Fund remains for now and the member's contribution remains 6% for now. The only increase in contributions will be that of supernumeraries as was approved by conference 2017. We will be scheduling 2019 benefit Roadshows and those dates will be announced in due course.

A reminder to all members of the medical aid, to ensure that their prescriptions are submitted to Fedhealth, within the next 2 weeks. Our Gap Cover arrangement continues with Turnberry on a new policy. I wish to thank the PB, GS, members of the medical Sub-committee and Finance Unit for the support and insights they have given in making this historical courageous decision, I do have confidence that our members will over time be comfortable with the MSA arrangements via the 80/20 co-payment under Topmed. Needless to say, the transition was a swim upstream. A lot of curve balls were thrown our way but we believe that these kinks will be ironed out.

8. Stipend Increases:

CPI for the year ending 30 April 2018 will be 4.5%. The Connexional Executive recommends that the Minimum/ Basic Stipends and stipend assessments for 2019 be increased by 5.8%. The recommended total stipend increase for 2019 is 6.8%.

Travel Allowance Changes: As at 1 March 2018, SARS introduced changes in how the re-imbursment for travel will be viewed. The MCSA rate per Km is 4.80 per Km, which is far above the SARS rate of R3.61, thus the variance will be included as remuneration for PAYE purposes

7. Mission Resource Fund

This fund continues to fund mission by igniting discipleship communities. 20 Stations have been funded so far in 2018. The Surplus accumulated in the fund as of the end of 2017 is R639 153. This report is contained in Schedule O of the AFS 2017.

9. The Pension Augmentation Fund

The implementation of this fund was endorsed by conference 2017 and guidelines for the fund approved. The aim of this fund is to augment the pensions of all members that receive low pensions. The work of this fund was added to the

Stipend Augmentation Fund committee. I commend the church for having made this very crucial decision. We hope to be able to augment the pensions of those identified in the near future.

10. Stipend Augmentation Fund

I wish to thank the Trustees of the Stipend Augmentation fund for once again allocating R360 000 from this fund towards ministers in District 12, This amounts to R24 000 per minister in 2019. Both the stipend Augmentation Fund and the Pension Augmentation Fund were consolidated by the finance Unit Executive.

11. Pensions Fund report from the 3 Funds trustees

- The Provident Fund Market Value was R33.7 million as of 31 Dec 2017 with a year to date return of 9.94%.
- The Lay Staff Pension Fund Market Value was R40 million as of 31 Dec 2017 with a year to date return of 10.15%.
- The Supernumerary Fund Market Value was R1.60 Billion as of 31 Dec 2017 with a year to date return of 10.25%.

The preliminary results of the statutory valuation of the Methodist Supernumerary Fund (the“Fund”) as at 31 December 2017 revealed that the Fund is in a financially sound position.

Pension Increases:

For the calendar year ending 31 December 2017, the increase in CPI was 4.7%. The latest inflation figures however, show the growth in CPI for the year ending 30 April 2018 to be 4.5%. 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, our 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.

A substantial review of the Pension Increase Policy was concluded in 2017 by the investment and advisory committee and approved by the Trustees. The policy prescribes that increases should be based on 90% of the increase in the CPI for the previous calendar year, which suggests an increase equal to 4.2% effective 1 July 2018 (inflation 4.7% for 2017).

Pension rule changes:

Following the Connexion wide roadshows carried out by the Trustees of the Fund and inputs received from members, the Supernumerary Fund rules were

reviewed and approved by the FSCA. The Rules are available to members on request to the PO.

To note are resolutions to conference by the Finance Unit Executive

- Proposed changes to 9.13.8 regarding long leave grants for Ministers
- CE has approved a request to set aside funds from the Millenium Mission resource Fund towards funding the Connexional Structures Enabler's Office. A further amount of R1 mill will be set aside from the Church Reserve Fund towards the structures committee work on boundaries including but not limited to consultations, training and assisting new districts in formation.

12. Reports for approval and adoption

The 2017 audited Annual Financial Statements, unit reports, the Finance Unit Order of Business together with the Arrear Reports, Reports on the Pension Funds, amendments and all other relevant reports are attached to the Finance Unit Report to CE and Conference 2018 for your reference and adoption.

Conclusion

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 the times you can; to all the people you can;
as long as ever you can*

Thank you.

Mrs Thini Ngonyama

Conference 2018

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