

Overture from Reformed Church of Dunedin

Re: Emeritus Fund Quota

Esteemed Brethren

The Session of the Reformed Church of Dunedin respectfully overtures Synod 2014 as follows.

That the calculation of the churches' contributions to the Emeritus Fund revert to a pro-rata quota basis.

Background

1. Quotas levied by the trustees of the Emeritus Fund up to and including 2008 were based on a pro-rata (proportional) calculation based on the number of communicant members in each of the respective RCNZ churches. (It should be noted that all quotas in the RCNZ have been long understood as being calculated on this pro-rata basis.)
2. Synod 2008 decided that Emeritus Fund quotas should not be levied from 2009 to 2011.
3. Synod 2011 decided: "To approve an annual quota based on \$1,500 per annum plus ESCT (Employer Superannuation Contribution Tax) per active member of the Fund for the years ending 31 March 2012, 2013 and 2014" (Art. 43.4).
4. In each year of the inter-synodical period the trustees of the Emeritus Fund collected their target amount by way of a flat rate levy. Each church was levied \$1,500 for each active member of the Fund under their charge. The change from proportional quota to flat rate levy was made without any specific directive from Synod, was a departure from the RCNZ understanding of quota and was a departure from the Fund's own previous practice.
5. Changes to taxation legislation, effective from 1 April 2012, somewhat validated the Emeritus Fund trustees' decision to change the calculation of the churches' contributions to the fund. The legislative change combined with the flat-rate levy enabled many churches to reduce their ESCT liability from 33% to 17.5%. Also, retrospective approval for the trustees' change in calculation was obtained from the Synodical Interim Committee.

Grounds

1. The principle of proportionality as a method of collection or distribution is well established in Scripture.
 - a. The towns Moses was to grant the Levites from the land the Israelites were to possess were to be given in proportion to the inheritance of each tribe: "Take many towns from a tribe that has many, but few from one that has few" (Num. 35:8).
 - b. The OT Israelites were to celebrate the Feast of Weeks to the Lord their God by giving a freewill offering in proportion to the blessings the Lord their God had given them (Deut. 16:10).
 - c. In the collection for God's people the Corinthians were told to "set aside a sum of money in keeping with his income" (1 Cor. 16:1-2).

It seems natural to extend this principle to the method of sharing the collective costs incurred by a federation of churches.

2. The Church Order (Art. 17) clearly states that the retirement provision for ministers is to be from the common fund of the churches. Commonality in synodically mandated endeavours has

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always been understood in the RCNZ to result in proportional cost sharing according to each church's membership.

3. From its inception the Emeritus Fund has gathered its contributions from the churches by way of proportional quota. There have been no changes in the essence of the Fund's activities (tax changes aside) which would warrant a change in the method of apportioning the contributions it collects.
4. Any change in the basis of calculating quotas, whether to take advantage of legislative changes or for any other reason, is a matter for a synod to decide and such a decision ought not to be taken by a synodical committee acting alone.
5. In recent years, the purpose of the Emeritus Fund quota has been to address the shortfall of assets in the Fund to accrued and future liabilities. The quota was reinstated at Synod 2011 after this shortfall had been identified and concerns were expressed. In the Emeritus Fund report to this synod the recommendation to continue with quotas arises out of a discussion of the actuarial solvency of the fund. Addressing this shortfall is the churches' joint responsibility.
6. Calling churches of missionaries and home missionaries who are Fund members are currently required to pay a levy in addition to that of their minister. There is merit in transferring the burden of this mission cost from just the calling church to the collective body.
7. Churches that have not been served by a Fund member for a full financial year are currently exempt from levies. Such churches are often financially well placed and ought to be actively contributing to the Fund.
8. It is acknowledged that reverting to pro-rata quota contributions will result in churches' ESCT liability rising to 33%. (The Emeritus Fund trustees advise that pro-rata quota contributions would fail to qualify for one of the lower ESCT rates because they do not meet the requirement that an employer's superannuation cash contributions must be attributable for the benefit of a particular employee.) Before 2009, when churches were liable for the same 33% rate, there was a ready acceptance to render tax at that level to the state authorities. We believe it is untenable to abandon the well-grounded and long-established principles inherent in the quota system for the sake of a modest pecuniary gain, which accrues as a saving to some churches but results in an additional cost to others.
9. Within the RCNZ, each church is regarded as having equal standing. The concession in financial matters to membership size, through the quota system, is a commendable and much valued expression of unity as brethren in the Lord. This ought to be retained if at all possible with regards to the Emeritus Fund.