

**2019 Compensation and Personnel Policies**  
**For Pastors of The**  
**NC Conference of the United Methodist Church**

Effective January 1, 2019

**2019**

**Compensation and Personnel Policies**

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These policies have been developed as a means of providing a uniform set of compensation and personnel policies to guide the Cabinet in their relationships with their pastors. These policies are required for all appointed Pastors, Associate Pastors, Student Local Pastors, Supply Pastors and Interim Pastors. These policies provide a compensation guideline for all other pastoral relationships. Where the terms “is,” “required,” “shall,” or “will” appear, this shall be understood as mandatory. Where the term “may” or “should” appears, this shall be understood as suggestive only. In any case where there is a discrepancy between these policies and The Book of Discipline, The Book of Discipline prevails.

## Table of Contents

Minimum Salary .....	4
Housing .....	4
Appointment Time Percentage.....	5
Travel Allowance .....	5
Utilities Allowance .....	5
Other Cash Allowances .....	5
Self-Employment Tax/Social Security .....	6
Pension.....	6
Health/Life Insurance.....	7
Cost Outline for Full-time Appointments.....	9
Benefits Eligibility Table .....	9
Disability Benefits .....	9
Leave Policies .....	10
Retired Supply Appointments.....	11
Appendix I – Current Year Values .....	12

## Minimum Salary

The definition of “minimum” is not the ceiling, or maximum, amount of “the pastor’s salary;” rather, it is the floor, or minimum, of what a full-time pastor is to be paid. No full-time pastor shall be paid less than the minimum compensation. We recommend that each congregation review its ability to sustain its pastor independently and only use the minimum salary as just that, a minimum, and prayerfully discern the appropriate level of compensation for its called leader. See Appendix I – Current Values for the current year’s minimum salary figures.

All salary from all qualified United Methodist Church salary-paying units is to be combined as the total salary for each pastor.

Annual bonuses and love offerings are considered taxable income. They should be included in the annual salary either as a budgeted amount when known in advance or reported as a catch-up change when the amount becomes known.

The salary-paying unit shall issue an IRS form W-2 for each pastor.

Per The Book of Discipline paragraph 331.6d, deacons may be appointed to non-salaried positions. The compensation package for any deacon appointment is negotiated by the deacon, the salary-paying unit, and the District Superintendent.

## Housing

Full-time pastors shall be provided with either a parsonage or a cash housing allowance in lieu of a parsonage. For less than full-time pastors, housing is a component of compensation to be negotiated between the pastor, the church and the District Superintendent.

Churches/charges providing a housing allowance in lieu of a parsonage should follow the Conference requirement, paying no less than 20% and not more than 40% of the Conference Average Compensation (CAC). See Appendix I – Current Values for the current year’s CAC figure. Churches providing a housing allowance shall adopt a Housing Resolution annually by the church council or the charge conference for the coming year.

For clergy couples, housing may be provided in the following manners:

- a. When only one of the spouses is furnished a parsonage, the one furnished the parsonage includes the 25% parsonage value in their pension plan compensation.
- b. When one spouse is furnished the parsonage and the other a cash allowance, the one furnished the parsonage will use the 25% parsonage value and the other will report the actual cash housing paid.
- c. When two parsonages are furnished each spouse claims a 25% parsonage value.
- d. When neither is furnished a parsonage, the actual cash housing allowance may be counted by the person/or persons receiving the allowance.

## **Appointment Time Percentage**

The appointment time percentage for each pastor is determined by the District Superintendent. The designation may be 100%, 75%, 50%, or 25%. The basis used for this determination may be compensation, hours worked, or other factors pertaining to the conditions surrounding specific appointments. The appointment time percentage determines pension and health insurance plan enrollment.

## **Travel Allowance**

Although travel is reimbursed by the local charge as an item of pastoral expense, it is expected that each local charge would provide for travel expense. See Appendix I – Current Values for the current year's travel allowance figure. Each charge is to establish a plan to reimburse the pastor for all legitimate business mileage at the current rate established by the IRS. It is the NC Conference Cabinet's policy that travel allowances be paid through an accountable reimbursement (vouchered) plan.

## **Utilities Allowance**

It is expected that each local charge would provide for utilities expense for parsonages. Utilities have been defined in guidance from the Internal Revenue Service to be electricity, heat, water/sewer, trash pick-up, local telephone, cable and internet access expenses. In order to increase accountability surrounding utility payments and to help ease transitions during appointment changes, the local church shall pay utilities directly to the utilities companies instead of through unvouchered (non-vouchered) allowances to the pastors. The parsonage utilities shall be in the name of the church. The church shall include the full amount of the utilities in the budget. The actual amount of utilities paid by the church each year must be reported to the pastor for the purposes of the self-employment tax.

For pastors not living in a church-owned parsonage, an accountable reimbursement (vouchered) plan for utilities may be established. Payments may be made either to the pastor or to the utility company upon submission of the appropriate documentation and/or receipts.

If a pastor is receiving a cash housing allowance in lieu of a parsonage and the housing allowance includes a portion for utilities, the utilities portion is considered non-vouchered. It is included in taxable income to the pastor and in the basis used for the pension benefit calculation.

## **Other Cash Allowances**

A church may provide a cash allowance for the pastor's health insurance coverage outside the conference group health insurance plan. Such allowances are considered taxable income to the pastor.

However, they are excluded from the pension plan compensation. These allowances are to be reported separately on the appropriate line on the Clergy Compensation Worksheet.

Other allowances for office supplies, vestments, continuing education, and other business expenses may be established. It is recommended that an accountable reimbursement (vouchered) plan be used to pay such allowances.

## Self-Employment Tax/Social Security

Pastors are considered by the Internal Revenue Service as “self-employed” for Social Security purposes, and therefore the entire Social Security tax is to be paid by the pastor. This is referred to as Self-Employment Tax. Some pastors have filed with the Internal Revenue Service to be exempt from or opt-out of Social Security payments. It should be noted:

- a. Participation in Social Security is obligatory unless one objects to participation by reason of religious principle or conscience. Financial considerations are not a legal basis for waiving participation (i.e., feeling that one would be financially ahead by investing in another program).
- b. The United Methodist Church does not oppose Social Security or public insurance.
- c. The Church’s retirement, health insurance and disability plans operate under the assumption that clergy will receive Social Security and Medicare benefits.

## Pension

The pension benefit costs are based upon the plan compensation provided by all qualified United Methodist Church salary-paying units. If multiple salary-paying units are contributing to a pastor’s total compensation, then the costs shall be billed to each salary-paying unit in accordance with their portion of the pastor’s total compensation package. Exact costs are calculated on the Clergy Compensation Worksheet which is to be completed by all pastors (active, retired, supply, etc.) serving a local church of the NC Conference.

Full-time pastors shall be enrolled in the Clergy Retirement Security Program (CRSP). Less than full-time pastors shall be automatically enrolled in the United Methodist Personal Investment Plan (UMPIP) with the option to waive the benefit upon submission of the official Waiver form. The waiver form may be submitted at any time after the effective date of enrollment. However, it can only be made effective up to 60 days prior to the date of receipt by the Conference Benefits Coordinator. For 2019, the cost for CRSP to the church is 8.1% of pension plan compensation and the cost for UMPIP to the church is 11.8% of pension plan compensation.

Full-time pastors are eligible for voluntary participation in the Ministers’ Transition Fund (MTF). Participants contribute 1% of their salary plus non-vouchered allowances per year. In the 11<sup>th</sup> year of membership, qualified participants begin to accrue an annual dividend. Accrued benefits are available at the time of retirement and may be distributed as either a direct payment to the participant or as a rollover to another qualified plan.

Full and part-time pastors are eligible for voluntary participation in the United Methodist Personal Investment Plan (UMPIP) for saving their personal money towards retirement. Participants may elect to contribute either a fixed dollar amount or a percentage of their plan compensation. Contributions may be made on either a before-tax, after-tax, or Roth basis. Contributions may be started, stopped, or changed at any time throughout the year.

There are two automatic features of the UMPIP which participants should consider. Automatic Enrollment means that Covered Plan Participants are automatically enrolled in the UMPIP and participants' personal contributions are made at a default contribution rate of 5% on a before-tax basis unless they elect otherwise. Automatic enrollment occurs for these Covered Plan Participants on the date they become eligible to participate in the UMPIP. Automatic Escalation means that if a participant is making only before-tax personal contributions on a percentage basis, their contribution rate will increase each January 1<sup>st</sup> by 1% unless they elect to not have automatic escalation apply. The escalation will apply until the contribution rate reaches 10% of plan compensation. See the Automatic Features Notice on the [Treasurer's Office Pension webpage](#) for more details.

There is a matching component involved in both full and part-time pension benefits. If a pastor personally contributes at least 1% of their pension plan compensation to the UMPIP, they will earn the 1% match from the church. The church's match is already included in the applicable church pension cost and is deposited into either the pastor's CRSP Defined Contribution account or UMPIP account depending on their appointment percentage.

See the Clergy Pension Benefits Guide in the Appendix for more details about the CRSP, CPP, MTF, and UMPIP plans, costs and participation requirements. Also for more details, contact the Benefits Coordinator.

## Health/Life Insurance

The NC Conference group health insurance plan is voluntary for all pastors. The insurance rates are approved by Annual Conference and posted online at the [Treasurer's Office Insurance webpage](#). Post-retirement health benefits are accrued by active enrollment in the conference health plan prior to retirement or by a combination of active enrollment in the plan and pension plan credit prior to July 1, 2009. The post-retirement benefits may be access to the group health insurance coverage if the pastor retires prior to age 65 or may be funding provided through a Health Reimbursement Account (HRA) to assist the pastor in paying for their out-of-pocket health care expenses if the pastor retires at or after age 65. The level of HRA funding is also approved by Annual Conference each year.

A church may provide a cash allowance for the pastor's health coverage outside the conference group health insurance plan. Such allowances are considered taxable income to the pastor. However, they are excluded from the pension plan compensation. These allowances are to be reported separately on the appropriate line on the Clergy Compensation Worksheet.

Dental insurance is a voluntary plan available for health plan participants. Rates are approved by Annual Conference and posted online at the [Treasurer's Office Insurance webpage](#).

The NC Conference group life insurance plan is also voluntary for all pastors who are enrolled in the conference health plan. The rates are approved by Annual Conference and posted online at the [Treasurer's Office Insurance webpage](#). Supplemental life insurance coverage for the participant, their spouse, and children is available on a voluntary basis.

Active pastors in the conference health plan have access to the Flexible Spending Medical Reimbursement Account and Dependent Daycare Account. Enrollment in these programs is voluntary. Flexible Spending Accounts are accounts where participants deposit pre-tax money which they can use for certain out-of-pocket expenses. Users of these accounts do not pay taxes on the money they deposit.

Active participants in the conference health plan are eligible for the voluntary Wellness Incentive Program (WIN). Qualified WIN participants earn points for certain healthy living behaviors towards an annual reward of up to \$200 per participant and covered dependent per year. The WIN form can be found on the [Treasurer's Office Downloads webpage](#).

All clergy and their spouses regardless of their conference relationship status and health plan enrollment status are eligible for the conference Amazing Pace walking program. The Amazing Pace is a voluntary, internet-based, pedometer walking program. Participants can earn Visa cash card rewards of up to \$300 per participant per year. Program details can be found on the [Treasurer's Office Amazing Pace webpage](#).

For more details on any of these plans, contact the Conference Benefits Coordinator.

## Cost Outline for Full-time Appointments

What is the total cost to a church for a full-time pastor? This common question is answered by the table below. The calculated costs assume that the full-time pastor:

1. Has a salary exactly equal to the full-time minimum salary
2. Receives all cash allowances by vouchered/accountable reimbursement plan
3. Lives in the church parsonage
4. Is enrolled in the NC Conference Health Insurance plan and Life Insurance plan with family coverage

For alternative compensation scenarios, use the [Clergy Compensation Calculator](#) or contact the Conference Benefits Coordinator.

<u>Compensation/Benefit Item</u>	<u>2019 Annual Cost</u>
Minimum Salary	\$45,490
Travel allowance	\$4,000
Utilities allowance	Paid in full
CRSP-DB (8.1% of pension plan compensation)	\$4,605.86
CRSP-DC (3% of pension plan compensation)	\$1,705.88
CPP-Church (2% of pension plan compensation)	\$1,137.25
NC Conference Health Insurance	\$14,597.52
NC Conference Basic Life Insurance	\$249.00 family coverage \$198.00 single coverage
<b>TOTAL</b>	<b>\$71,785.51 + utilities (with family life coverage)</b>

## Disability Benefits

Pastors meeting certain eligibility criteria shall be enrolled in the Comprehensive Protection Plan (CPP) long term disability and death benefit. Eligibility depends upon having both a 100% or 75% appointment time and having a pension plan compensation of at least 25% of Denominational Average Compensation (DAC). See Appendix I – Current Values for the current year’s DAC and minimum requirement for CPP eligibility. Pastors with a 50% or 25% appointment time are not eligible for the CPP. The cost for the CPP to the church is 2% of pension plan compensation. The pastor’s cost is 1% of pension plan compensation and is to be withheld from their salary on an after tax basis. The CPP provides income replacement of 70% of plan compensation at the time the disability benefits are approved. For more details about the benefits and application process, contact the Benefits Coordinator.

## Benefits Eligibility Table

The table below outlines the eligibility for pension and insurance benefits according to appointment time percentage. Pension benefits require only a set appointment time for enrollment in certain plans. However, for insurance benefit eligibility the pastor must also meet two other criteria: (1) a plan

compensation of at least half of full-time minimum salary and (2) that the pastor work at least 30 hours per week..

	CRSP	CPP	MTF	UMPIP Pastor	UMPIP Church	Health Insurance	Basic Life Insurance	Supplemental Life Insurance	Flexible Spending Accounts	Optional Dental Insurance
<b>100%</b>	YES	YES	YES	YES	NO	YES	YES	YES	YES	YES
<b>75%</b>	NO	YES	NO	YES	YES	YES	YES	YES	YES	YES
<b>50%</b>	NO	NO	NO	YES	YES	YES	YES	YES	YES	YES
<b>25%</b>	NO	NO	NO	YES	YES	NO	NO	NO	NO	NO

## Leave Policies

Vacation and time off is defined as annual leave and weekly time off “which is completely distinct from any other occasions in which the pastor is out of the parish” (1988 NC Annual Conference Journal, page 373) such as Continuing Education events, Bishop’s Day Apart, Order of Elders, Deacons, Local Pastors, Annual Conference, and Convocation/Pastor’s School.

Vacation recommendations to local congregations:

A. That clergy members of the Annual Conference (as defined by The Book of Discipline) under full-time appointment to local congregations shall receive one full month of vacation per calendar year. Vacation time shall include four (4) Sundays per year and shall be negotiated between the pastor and S/PPR Committee and may be taken in either segments adding up to one full month or as a whole.

B. Part-time pastors under appointment should receive vacation time per calendar year in ¼ increments according to their salary structure.

Clergy members of the Annual Conference (as defined by The Book of Discipline) under full-time appointment should receive at least one personal day off per week. Changes to a set personal day off should be allowed due to unforeseen circumstances that may arise. This time should be carefully respected and guarded by the district superintendent and the congregation.

We encourage annual discussions between pastor/s and the S/PPR Committee where they are appointed concerning provisions for Continuing Education and Spiritual Growth and Sabbatical Leave as found in The Book of Discipline.

For more information regarding maternity/paternity leave, the Voluntary Transition Program and other types of leaves, see The Book of Discipline.

## Retired Supply Appointments

After entering the retired status, a clergyperson may still be appointed to serve. They will maintain their retired status and be listed as Retired Supply. Additional points to consider in such appointments include:

1. Credit towards additional insurance and pension benefits ceases upon the date of retirement. Therefore, service as a Retired Supply will not count towards accrual of benefits.
2. When appointing a retiree, the eligibility criteria for the NC Conference Active group health insurance plan must be considered and the appointment arranged such that the Retired Supply pastor does not meet at least one of the criteria. This is to ensure that Medicare coverage and the pastor's Health Reimbursement Account (HRA) funding benefit remain in place. The three eligibility criteria for the NC Conference Active group health insurance plan are:
  - a. appointment time of at least 50%
  - b. plan compensation on the Clergy Compensation Worksheet of at least half of full-time minimum salary (see Appendix I – Current Values for the current year's full-time minimum salary figure)
  - c. working 30 hours or more per week

## Appendix I – Current Year Values

Below is the listing of current year values for commonly used benchmarks, figures, and calculations.

Value	2019
Full-time Minimum Salary	\$45,490
Student Pastor Minimum Salary	\$29,569
Conference Average Compensation (CAC)	\$75,044
NC Conference Housing Allowance range (20%-40% of CAC)	\$15,009 - \$30,018
Minimum Full-time Travel Allowance	\$4,000
Denomination Average Compensation (DAC)	\$71,361
Minimum 25% of DAC required for CPP enrollment	\$17,840
Annual cost to the church for pastors enrolled in the Conference Health Insurance plan	\$14,597.52
Annual cost to the church for pastors enrolled in the Conference Life Insurance plan	\$249.00 family coverage \$198.00 single coverage

# CLERGY PENSION BENEFITS GUIDE

	Clergy Retirement Security Program (CRSP)		Comprehensive Protection Plan (CPP)		United Methodist Personal Investment Plan (UMPIP)	Ministers' Transition Fund (MTF)
Contribution Type	Defined Benefit (DB)	Defined Contribution (DC)	Church Portion	Pastor Portion	Before-Tax, After-Tax, and/or Roth	After-Tax
What is it?	Pension benefit in retirement determined by years of credited service and DAC* at time of retirement	Pension benefit in retirement determined by actual account balance	Clergy Death and Long-Term Disability Insurance		Retirement savings for all clergy & lay; dependent upon participant's personal election Also, church paid retirement savings vehicle for Part time** clergy	NCCUMC-specific qualified 403(b) retirement savings plan
How much does it cost?	8.1% of Plan Compensation***	3% of Plan Compensation	2% of Plan Compensation	1% of Plan Compensation	To all clergy (some exclusions apply): Default 5% Before Tax contribution if a different election is not made by individual To Full time churches: \$0.00 To Part time churches: 11.8% of Plan Comp	1% of Salary plus Non-Vouchered Cash Allowances including health insurance allowances
Is it an expense to the Church?					Full time:  Part time:	
Is it an expense to the Pastor? (paid via paycheck withholding)					Full time:  Part time:	
Who MUST participate?	Full time clergy <sup>A</sup> (auto-enroll without waiver option)		Full and Three-Quarter time clergy (auto-enroll without waiver option)		Full time clergy: Voluntary; save at least 1% of Plan Comp in UMPIP & get 1% church match to CRSP DC Part time clergy: Voluntary; save at least 1% of Plan Comp in UMPIP & get 1% church match to UMPIP	Voluntary
Who COULD participate, but could also choose not to participate?	Not Applicable		Not Applicable		All clergy	Full time clergy only
Who CANNOT participate?	Interim Supply (IS), Retired Supply (RS)		Half & Quarter time clergy, Interim Supply (IS), Retired Supply (RS)		Not Applicable	Part time clergy, Interim Supply (IS), Retired Supply (RS)
Which forms are each clergyperson required to complete?	Full time clergy: CRSP/PPP Enrollment form All clergy (includes IS & RS): Clergy Compensation Worksheet		Full & Three-Quarter time clergy: CRSP/PPP Enrollment form Half & Quarter time clergy: not applicable All clergy (includes IS & RS): Clergy Compensation Worksheet		Full time clergy: Contribution Agreement form (paper & Online Data Collection System) and Clergy Compensation Worksheet	Part time clergy: Contribution Agreement form (paper & Online Data Collection System) or UMPIP Waiver form; and Clergy Compensation Worksheet

\*DAC = Denominational Average Compensation

\*\*part time clergy defined as 25%, 50% or 75% appointment time percentage as designated by the District Superintendent and reported on the Clergy Compensation Worksheet

\*\*\*plan compensation (or plan comp) defined as cash salary plus non-vouchered cash allowances (excluding health insurance allowances) plus housing allowance or parsonage as calculated on Line 7 of the Clergy Compensation Worksheet

<sup>A</sup>clergy defined as licensed, commissioned or ordained serving under Episcopal appointment to a conference pension responsible entity

FOR MORE DETAILS AND QUESTIONS CONTACT JOANNA EZUKA, BENEFITS COORDINATOR (jezuka@nccumc.org or 1-800-849-4433 ext 225)