

2027 Compensation and Personnel Policies
For Pastors of The
NC Conference of the United Methodist Church

Effective January 1, 2027

2027

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.

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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.

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

Per The Book of Discipline paragraph 331.2d, 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 and Student 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 for Full-time pastors 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 ways:

- a. When only one of the spouses is furnished a parsonage, the one furnished the parsonage includes the 35% parsonage value in their retirement plan compensation.
- b. When one spouse is furnished the parsonage and the other a cash allowance, the one furnished the parsonage will use the 35% parsonage value, and the other will report the actual cash housing paid.
- c. When two parsonages are furnished, each spouse claims a 35% 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 retirement 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 expenses. 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 expenses for parsonages. Utilities have been defined in guidance from the Internal Revenue Service to be electricity, heat, water/sewer, trash pick-up, residential and cell phone service, cable, and internet service 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 utility 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.

Utility allowances or reimbursements are considered housing expenses and are included in plan compensation in the retirement 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 retirement plan compensation. In accordance with guidance received from the General Council on Finance and Administration (GCFA) legal services such allowances cannot be considered to be a vouchered cash allowance. 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 (e.g., the belief that one would be financially better off 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.

Retirement

The retirement 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 Compass retirement plan. 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 Team. For 2027, the cost for Compass to the church is 9.5% of plan compensation, and the cost for UMPIP to the church is 9.5% of plan compensation. For 2027, the Board of Pension is supplementing this cost by 0.5%. This results in an effective cost to the church of 9.0% of plan compensation for both Compass and UMPIP.

Full-time, three-quarter-time, and half-time pastors are eligible for voluntary participation in the Transition Fund (TF). There is automatic enrollment with an option to waive when participants serving local churches first become eligible. Participants contribute 1% of their plan compensation per year. In the 6th year of membership, qualified participants begin to accrue an annual discretionary contribution from the NC Conference. Personal contributions and annual discretionary contributions are deposited into the participant's UMPIP account. Earnings on discretionary contributions and personal contributions made to participant balances in the Fund will accrue to the participant's UMPIP balance and will be subject to the same allocation and plan provisions in place for other funds invested in those accounts. Visit the [Transition Fund webpage](#) for more plan details.

Part-time pastors are eligible for voluntary participation in the United Methodist Personal Investment Plan (UMPIP) for saving their personal money toward retirement. Full-time pastors are eligible for voluntary participation in Compass for their personal contributions toward 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 in both Compass and UMPIP that participants should consider. Automatic Enrollment means that covered plan participants are automatically enrolled in making personal contributions 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 plan. Automatic Escalation means that covered plan participants' personal contribution rate will increase each January 1st by 1% unless they elect not to 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 retirement benefits. If a full-time pastor personally contributes at least 4% of their plan compensation to Compass, they will earn the 4% match from the church. If a part-time pastor personally contributes at least 1% of their plan compensation to UMPIP, they will earn the 1% match from the church. The church's match is already included in the applicable church retirement plan cost and is deposited into either the pastor's Compass or UMPIP account, depending on their appointment percentage.

See the Clergy Retirement Benefits Guide in the Appendix or contact the Benefits Coordinator for more details.

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 either a 100% or 75% appointment time and having a 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 plan compensation. The pastor's cost is 1% of 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.

Insurance

The NC Conference group health insurance plan is through the HealthFlex exchange offered by Wespeth Benefits and Investments (Wespeth). Enrollment in HealthFlex is open for 50%, 75%, and 100% appointees. An appointee may waive enrollment only if they are covered under:

1. A current or former employer's plan
2. A spouse's employer's plan
3. Tricare/Champus
4. Medicare or Medicaid

Enrollment in an open-market or Affordable Care Act (ACA) plan **does not qualify** for a waiver. HealthFlex plans are considered affordable under ACA standards and are the designated option for eligible participants.

If an appointee **does not meet any waiver criteria**:

- The appointment is still considered *participating* in HealthFlex.
- The churches in that appointment will be billed for the **church portion** of the premium.
- The appointee may choose not to enroll as a participant. In that case, no **personal premium** will be deducted from their pay or billed to the church.

To summarize, HealthFlex participation is mandatory for all 50%, 75%, and 100% appointments (unless the appointee qualifies for a waiver), but enrollment remains optional for the appointee. If the appointee opts out without a qualifying waiver, the church continues to pay its share of the premium, but the appointee is not billed for the personal portion of the premium. With this structure in place, the insurance rates are 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 approved by Annual Conference each year.

Non-Vouchered Cash Allowances for Health Insurance Outside of the NC Conference Plan

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 retirement plan compensation. In accordance with guidance received from the General Council on Finance and Administration (GCFA), legal services such allowances cannot be considered a vouchered

cash allowance. These allowances are to be reported separately on the appropriate line on the Clergy Compensation Worksheet.

In general, it is not recommended to offer cash options in lieu of benefits because of the confusion it places on items of compensation for the next pastor that follows and to try to steer away from discriminatory practices that many times follow those options. If a non-vouchered cash allowance is added to the salary, there can be confusion in adjusting for the next person with the expectation of that salary amount plus benefits that the next person may opt into. This can be remedied with a reduction in salary between pastoral appointments, as long as there is clear documentation about what should happen.

The second reason we do not encourage this practice is due to the potential for discrimination in the availability of benefits. Without a requirement to have health insurance, given an option to choose between health insurance coverage and salary, some individuals will choose a higher salary in order to meet current financial pressures (this is not always lower-income persons, but could be anyone with financial pressures). We believe that health insurance coverage is beneficial to our clergy and families, so we support involvement in the insurance plan. Allowing some to receive a salary in lieu of benefits and others not to have the option sets up the opportunity for discriminatory decision-making, and some being given cash opportunities related to benefits that others do not receive.

Additionally, as noted above, retirement health insurance benefits are dependent upon each pastor's years in the Conference health plan. If they are not enrolled, they are not accruing years of credit toward their retiree health reimbursement account contribution. With these provisions, participants may not only choose cash now instead of insurance coverage but will also trade future benefits for cash now to meet current financial pressures. These choices can appeal to those with fewer financial options at a disproportionate rate than others and lead to loss or waiver of health care.

Dental and Vision Insurance

Dental and vision insurance options are through the HealthFlex exchange offered by Wespath. They are available for all eligible participants regardless of enrollment in the NC Conference group health insurance plan. Rates are posted online at the [Treasurer's Office Insurance webpage](#).

Life Insurance

The NC Conference group life insurance plan is voluntary for all eligible participants, regardless of enrollment in the NC Conference group health insurance 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 for enrollees in the basic life insurance plan.

Flexible Spending Accounts

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. The account balance must be used before the end of the year; otherwise, only the applicable carry-over amount will be available in the next year.

Health Savings Accounts (HSA) and Health Reimbursement Accounts (HRA)

Active pastors in the conference health plan have access to the Health Savings Account and Health Reimbursement Account through enrollment in certain health plans. These health accounts receive contributions from the participant and, depending on the chosen health plan, may also receive contributions from the plan. Participant contributions have the triple tax advantage of not being taxed when made, not being taxed when withdrawn, and growing investment earnings tax-free. Saving money in these accounts will help better manage health care expenses throughout the year. Any unused account balance carries forward to the next year.

Wellness Programs

Active participants in the conference health plan are eligible for the Personify Health wellness program offered through HealthFlex. More details about the program and other HealthFlex wellness incentives can be found on the [Treasurer's Office Insurance webpage](#).

See HealthFlex Plan Comparisons document on the [Treasurer's Office Know Your Insurance webpage](#) as a guide to the insurance benefit plan offerings.

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 tables below. This table calculates costs assuming the following about the 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

Compensation/Benefit Item	2027 Annual Cost
Minimum Salary	\$53,856
Travel allowance (conference minimum)	\$5,000
Utilities allowance (estimated figure for calculation purposes)	\$5,000
Compass (9.0% of plan compensation)	\$7,151.00
CPP-Church (2% of plan compensation)	\$1,589.11
NC Conference Health Insurance	\$17,328
NC Conference Basic Life Insurance	\$249.00 family coverage \$198.00 single coverage
TOTAL	\$90,173.11 includes family life coverage

This table calculates costs assuming the following about the pastor:

1. Has a salary exactly equal to the full-time minimum salary
2. Receives all cash allowances by vouchered/accountable reimbursement plan
3. Receives the minimum cash housing allowance

4. Is enrolled in the NC Conference Health Insurance plan and Life Insurance plan with family coverage

<u>Compensation/Benefit Item</u>	<u>2027 Annual Cost</u>
Minimum Salary	\$53,856
Travel allowance	\$5,000
Minimum Cash Housing allowance (including utilities)	\$19,276
Compass (9.0% of plan compensation)	\$6,581.88
CPP-Church (2% of plan compensation)	\$1,462.64
NC Conference Health Insurance	\$17,328
NC Conference Basic Life Insurance	\$249.00 family coverage \$198.00 single coverage
TOTAL	\$103,753.52 includes family life coverage

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

Benefits Eligibility Table

The table below outlines eligibility for retirement and insurance benefits based on the appointment time percentage. To be eligible for retirement benefits the pastor must meet three criteria: (1) be licensed, commissioned, or ordained and (2) be under Episcopal appointment and (3) be appointed to a Conference-responsible entity (i.e. local church, Conference staff, etc.). The appointment time determines which benefit plan(s) the pastor will be automatically enrolled in. For insurance benefit eligibility the pastor must have an appointment time of at least 50%.

	Compass Pastor	Compass Church	CPP	TF	UMPIP Pastor	UMPIP Church	Health Insurance	Dental Insurance	Vision Insurance	Basic Life Insurance	Supplemental Life Insurance
100%	YES	YES	YES	YES	NO	NO	YES	YES	YES	YES	YES
75%	NO	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES
50%	NO	NO	NO	YES	YES	YES	YES	YES	YES	YES	YES
25%	NO	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 requirements for local congregations:

That clergy members of the Annual Conference (as defined by The Book of Discipline) under appointment to local congregations shall receive at least one full month of vacation per calendar year. Vacation time shall include at least 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.

Clergy members of the Annual Conference (as defined by The Book of Discipline) under full-time appointment shall 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 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 toward additional insurance and retirement benefits ceases upon the date of retirement. Therefore, service as a Retired Supply will not count toward 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 have an appointment time of 50% or greater. This is to ensure that Medicare coverage and the pastor's Health Reimbursement Account (HRA) funding benefit remain in place.

Appendix I – Current Year Values

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

Value	2027
Full-time Minimum Salary	\$53,856
Student Pastor Minimum Salary	\$35,006
Conference Average Compensation (CAC)	\$96,382
NC Conference Housing Allowance range (20%-40% of CAC) including utilities	\$19,276 - \$38,553
Minimum Full-time Travel Allowance	\$5,000
Denomination Average Compensation (DAC)	\$83,235
Minimum 25% of DAC required for CPP enrollment	\$20,809
Annual cost to the church for pastors enrolled in the Conference Health Insurance plan	\$17,328
Annual cost to the church for pastors enrolled in the Conference Life Insurance plan	\$249.00 family coverage \$198.00 single coverage

2027 CLERGY RETIREMENT BENEFITS GUIDE

	Compass		Comprehensive Protection Plan (CPP)		United Methodist Personal Investment Plan (UMPIP)		Transition Fund (TF)
Contribution Type	Church	Participant Before-Tax, After-Tax, and/or Roth	Church Portion	Pastor Portion After-Tax	Church	Participant Before-Tax, After-Tax, and/or Roth	Before-Tax, After-Tax, or Roth
What is it?	Account-based, defined contribution retirement savings plan for full-time clergy		Death and long-term disability insurance for full-time and three-quarter-time clergy		Account-based, defined contribution retirement savings plan for part-time clergy		NCCUMC-specific plan for annual discretionary contribution from the TF plan assets to each eligible member's UMPIP account beginning in the 6 th year of membership
How much does it cost?	9.5% of Plan Compensation Less 2027 BOP Supplement of 0.5% for Effective Cost of 9.0%	- Auto Enroll at 5% of Plan Compensation 4% required to earn church match - Auto Escalation 1% each Jan. 1	2% of Plan Compensation	1% of Plan Compensation	9.5% of Plan Compensation Less 2027 BOP Supplement of 0.5% for Effective Cost of 9.0%	- Auto Enroll at 5% of Plan Compensation 1% required to earn church match - Auto Escalation 1% each Jan. 1	1% of Plan Compensation
Is it an expense to the Church?							
Is it an expense to the Pastor? (paid via paycheck withholding)							
Who MUST participate?	Mandatory for Full-time clergy (auto-enroll without waiver option) In all places, the term "Clergy" is defined as being Licensed, Commissioned or Ordained.		Mandatory for Full and Three-Quarter time clergy (auto-enroll without waiver option)		Voluntary for Part-time clergy (auto-enroll with option to waive)		Voluntary for Full, Three-Quarter, and Half-time clergy (auto-enroll with option to waive)
Who CANNOT participate?	Part-time clergy, Supply (Interim & Retired)/Hired/Assigned		Half & Quarter-time clergy, Supply (Interim & Retired)/Hired/Assigned		Full-time clergy, Supply (Interim & Retired)/Hired/Assigned		Quarter-time clergy, Supply (Interim & Retired)/Hired/Assigned
Which forms are participants required to complete?	Wespath Enrollment Form		Wespath Enrollment Form		Wespath Enrollment Form <u>or</u> UMPIP Waiver Form		Transition Fund Enrollment-Declination Form

All clergy must complete the Clergy Compensation Worksheet in the Online Data Collection System. It is the pastor's responsibility to complete this form as it is the means for making their personal plan contribution elections.

FOR MORE DETAILS AND QUESTIONS CONTACT THE BENEFITS TEAM ~ benefitsteam@nccumc.org
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