

2023 Compensation and Personnel Policies
For Pastors of The
NC Conference of the United Methodist Church

Effective January 1, 2023

2023

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.

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. 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 (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 Team. For 2023, the cost for CRSP to the church is 10.3% of pension plan compensation and the cost for UMPIP to the church is 11.2% of pension plan compensation.

Full-time, three-quarter-time, and half-time pastors are eligible for voluntary participation in the Transition Fund (TF). Participants contribute 1% of their pension 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 participant accounts in the UMPIP. Visit the [Transition Fund webpage](#) for more plan details.

Full and part-time pastors are eligible for voluntary participation in the United Methodist Personal Investment Plan (UMPIP) for saving their personal money 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 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 1st 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, TF, and UMPIP plans, costs and participation requirements. Also for more details, contact the Benefits Coordinator.

Insurance

Effective January 1, 2023, the NC Conference group health insurance plan is through the HealthFlex exchange offered by Wespath Benefits and Investments (Wespath). 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 pension 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.

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 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 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 salary in lieu of benefits and others to not 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 and 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 Insurance

Dental 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.

Wellness Programs

Active participants in the conference health plan are eligible for the Virgin Pulse 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](#).

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.

| Compensation/Benefit Item | 2023 Annual Cost |
|--|--|
| Minimum Salary | \$48,320 |
| Travel allowance | \$5,000 |
| Utilities allowance | Paid in full |
| CRSP-DB (7.3% of pension plan compensation) | \$4,409.20 |
| CRSP-DC (3% of pension plan compensation) | \$1,812.00 |
| CPP-Church (2% of pension plan compensation) | \$1,208.00 |
| NC Conference Health Insurance | \$16,416.72 |
| NC Conference Basic Life Insurance | \$249.00 family coverage \$198.00 single coverage |
| TOTAL | \$77,414.92 + utilities (with family life coverage) |

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. To be eligible for pension 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 in which pension

plan(s) the pastor will be automatically enrolled. For insurance benefit eligibility the pastor must have an appointment time of at least 50%.

| | CRSP | CPP | TF | UMPIP Pastor | UMPIP Church | Health Insurance | Dental Insurance | Vision? | Basic Life Insurance | Supplemental Life Insurance | Flexible Spending Accounts |
|-------------|------|-----|-----|-----------------|-----------------|---------------------|---------------------|---------|-------------------------|--------------------------------|----------------------------------|
| 100% | YES | YES | YES | YES | NO | YES | YES | YES | YES | YES | YES |
| 75% | NO | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES |
| 50% | NO | NO | YES | YES | YES | YES | YES | YES | YES | YES | YES |
| 25% | NO | NO | NO | YES | YES | NO | 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 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.

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 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 pension 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%. 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 | 2023 |
|--|--|
| Full-time Minimum Salary | \$48,320 |
| Student Pastor Minimum Salary | \$31,408 |
| Conference Average Compensation (CAC) | \$80,035 |
| NC Conference Housing Allowance range (20%-40% of CAC) | \$16,007 - \$32,014 |
| Minimum Full-time Travel Allowance | \$5,000 |
| Denomination Average Compensation (DAC) | \$76,221 |
| Minimum 25% of DAC required for CPP enrollment | \$19,055 |
| Annual cost to the church for pastors enrolled in the Conference Health Insurance plan | \$16,416.72 |
| Annual cost to the church for pastors enrolled in the Conference Life Insurance plan | \$249.00 family coverage \$198.00 single coverage |

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

CLERGY PENSION BENEFITS GUIDE

| | Clergy Retirement Security Program (CRSP) | | Comprehensive Protection Plan (CPP) | | United Methodist Personal Investment Plan (UMPIP) | | Transition Fund (TF) |
|--|--|--|---|-------------------------|---|---|--|
| Contribution Type | Defined Benefit (DB) | Defined Contribution (DC) | Church Portion | Pastor Portion | Before-Tax, After-Tax, and/or Roth | | Before-Tax, After-Tax, or Roth |
| 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; dependent upon participant's personal election Also, church paid retirement savings vehicle 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 6th year of membership |
| How much does it cost? | 7.3% of Plan Compensation | 3% of Plan Compensation | 2% of Plan Compensation | 1% of Plan Compensation | <u>To all clergy (some exclusions apply):</u> Default 5% Before Tax contribution if a different election is not made by individual. Election may automatically increase by 1% each year on January 1st until it reaches 10% unless participant opts out of auto escalation. <u>To Full-time churches:</u> \$0.00 <u>To Part-time churches:</u> 11.2% of Plan Comp | | 1% of Plan Compensation |
| Is it an expense to the Church? | | | | | <u>Full-time:</u> <u>Part-time:</u> | | |
| Is it an expense to the Pastor? (paid via paycheck withholding) | | | | | <u>Full-time:</u> <u>Part-time:</u> | | |
| Who MUST participate? | Full-time clergy (auto-enroll without waiver option) In all places, the term "Clergy" is defined as being licensed, commissioned or Ordained. | 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 | | <u>Part-time clergy:</u> Voluntary; save at least 1% of Plan Comp in UMPIP & get 1% church match to UMPIP | | Participation is Voluntary for all eligible clergy |
| Who COULD participate, but could also choose not to participate? | Not Applicable | | Not Applicable | | All clergy | | Full, Three-Quarter, and Half-time clergy |
| Who CANNOT participate? | Supply (Interim & Retired)/Hired/Assigned, Less than Full-time clergy | | Half & Quarter-time clergy, Supply (Interim & Retired)/Hired/Assigned | | Supply (Interim & Retired)/Hired/Assigned | | Quarter-time clergy, Supply (Interim & Retired)/Hired/Assigned |
| Which forms are each clergyperson required to complete? | <u>Full-time clergy:</u> Wespath Enrollment Form <u>All clergy and Supply/Hired/Assigned:</u> Clergy Compensation Worksheet | | <u>Full & Three-Quarter time clergy:</u> Wespath Enrollment Form <u>Half & Quarter-time clergy:</u> not applicable <u>All clergy and Supply/Hired/Assigned:</u> Clergy Compensation Worksheet | | <u>Full-time clergy:</u> Wespath Enrollment Form and Clergy Compensation Worksheet | <u>Part-time clergy:</u> Wespath Enrollment Form or UMPIP Waiver Form; and Clergy Compensation Worksheet | <u>Full, Three-Quarter, and Half-time clergy:</u> Transition Fund Enrollment/Declination Form and Clergy Compensation Worksheet <u>Quarter-time clergy:</u> N/A |