Pastoral Compensation, 2015

There are several considerations to be taken into account in developing a total compensation package. Among them are: Salary, Health Insurance, United Methodist Personal Investment Plan contributions (taxable or tax-deferred), Medical Reimbursement Account, Dependent Care Reimbursable Account, Reimbursables (ministerial travel and other church business expenses including entertaining), Household Expense Allowance, Continuing Education, and Social Security.

What follows is a thumbnail sketch of each. For more detailed information go directly to the GCFA Website at www.gcfa.org, the second to last item in the Quick Search section on the right you will see a block to click on called “Tax Packet”.

Salary: The minimum salary figures for 2015 voted at the 2014 Annual Conference are:

- Full time Elder, Probationer, Permanent Deacon, or Associate Pastor: $39,330
- Full time Local Pastors: $35,586
  - Additional years of service: 3 – 5 years add $600
  - at the completion of 5 through 10 years add $1,200
  - at the completion of 10 through 15 years add $1,500
  - over 15 years under appointment add $2,000
  - Part-time pastors are entitled to a prorated portion of minimum salary.

Compared to our denomination: The General Board of Pension and Health Benefits computes both Conference (CAC) and Denominational (DAC) Average Compensation figures. Please note: all these figures for both Conference and Denominational include either a 25% parsonage benefit or the actual amount of housing allowance in lieu of parsonage benefit. As best as can be determined this is an “apples to apples” comparison throughout the whole denomination over the last several years:

<table>
<thead>
<tr>
<th>Year</th>
<th>New England (CAC)</th>
<th>% Change from prev. year</th>
<th>Denominational % (DAC)</th>
<th>CAC to DAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$54,671</td>
<td>2.3%</td>
<td>$61,716</td>
<td>88.6%</td>
</tr>
<tr>
<td>2012</td>
<td>$56,830</td>
<td>3.9%</td>
<td>$62,781</td>
<td>90.5%</td>
</tr>
<tr>
<td>2013</td>
<td>$57,722</td>
<td>1.6%</td>
<td>$63,867</td>
<td>90.4%</td>
</tr>
<tr>
<td>2014</td>
<td>$58,598</td>
<td>1.6%</td>
<td>$65,186</td>
<td>89.9%</td>
</tr>
<tr>
<td>2015</td>
<td>$60,184</td>
<td>2.7%</td>
<td>$66,259</td>
<td>90.8%</td>
</tr>
</tbody>
</table>


The 5 Conferences with the highest CAC are: Texas $79,827 North Georgia $78,559, North Texas $76,227, Alabama-West Florida $75,626 and Central Texas $73,902.
Comparisons within our Conference: PASTORS - PLEASE NOTE: These are approximate figures, based on 2014 reports — cash salary only — exclusive of parsonage benefit or housing allowance. These figures are for full-time or equivalent and only involve local church salaries (no conference staff):

<table>
<thead>
<tr>
<th>Salary Range</th>
<th>Health Quotient</th>
</tr>
</thead>
<tbody>
<tr>
<td>$70,000 or more</td>
<td>........ 6</td>
</tr>
<tr>
<td>$65 – 69,999</td>
<td>........ 6</td>
</tr>
<tr>
<td>$60 – 64,999</td>
<td>........ 12</td>
</tr>
<tr>
<td>$55 – 59,999</td>
<td>........ 13</td>
</tr>
<tr>
<td>$50 – 54,999</td>
<td>........ 21</td>
</tr>
<tr>
<td>$45 – 49,999</td>
<td>........ 41</td>
</tr>
<tr>
<td>$40 – 44,999</td>
<td>........ 73</td>
</tr>
<tr>
<td>Less than $40,000</td>
<td>........ 30</td>
</tr>
<tr>
<td>others are less than full-time</td>
<td></td>
</tr>
</tbody>
</table>

Please keep in mind: The inflation rate affects salary. If the yearly change in salary matches the inflation rate or Consumer Price Index that means there is no merit increase and no actual increase in available dollars for the pastor. Conversely if the yearly change in salary is less than the inflation rate there is an actual reduction in available dollars for the pastor.

Health Insurance: The local church, beyond salary, funds Health Insurance.
- Health insurance for 2015 will continue to be the PPO Plan re-affirmed at the 2014 Annual Conference. Blue Cross Blue Shield of Illinois administers, through your state’s Blue Cross provider, the insurance plan. Plan summaries are available through the General Board of Pensions and Health Benefits at www.gbophb.org or by contacting Janis Salesi, Conference Benefits Coordinator or Thelma Phelan, Benefits Assistant.
- Dental Insurance for 2015 will continue to be the CIGNA indemnity plan. Plan summaries are available through the General Board of Pensions and Health Benefits at www.gbophb.org or by contacting Janis Salesi, Conference Benefits Coordinator or Thelma Phelan, Benefits Assistant.
- The 2015 health insurance blended rate will be $19,404 per year. The pastor’s health insurance premium co-payment will be $2,460* and the church/charge portion will be $16,944.
*Excludes the Benefit Stabilization Fund
- Participants can reduce the total they pay for health insurance premium co-pay by $50 each month if they and their spouse, if married, log on to www.gbophb.org & click on “HealthFlex/WebMD” between August 1 and September 30, 2014 to complete the Health Quotient, an online health risk assessment questionnaire that most people can complete in less than 20 minutes. Additionally, participants (and their spouse, if married) are required to complete Health Quotient between August 1 and September 30, 2014 to be eligible for the HealthFlex plan’s reduced health insurance deductible of $750 (2015 individual deductible) or $1,500 (2015 family deductible).
- The Conference health insurance bills (including the Benefit Stabilization Fund contribution of $45) to participants will either be a total of $250 each month or $200 for the co-payment, depending on whether the participant took the Health Quotient or not.
  - NOTE: Based on IRS rules, the pastor’s $250/$200 monthly payment must come through a pre-tax salary reduction agreement to be considered exempt from Federal Income and SECA taxes.

Pension: The current pension program for clergy, the Clergy Retirement Security Program (CRSP), was adopted by the 2004 General Conference, introduced in 2007 and modified by the 2012 General Conference Legislation, and is mandatory for all active and credentialed clergy appointed, ½ time or more, to local churches or positions for which the annual conference has pension responsibility. A church is billed directly for the pension and benefit cost of the pastor assigned to their church based on the time of appointment in quarter-time increments. CRSP is a combined Defined Benefit and Defined Contribution program. The Defined Benefit is 1.25% x Denominational Average Compensation (DAC) at the time of retirement x Years of Service in CRSP before 2014 and 1% after January 1, 2014. The Defined Contribution is 2% x Pension Plan Compensation (base compensation + housing) plus a match of the pastor’s personal contributions to the United Methodist Personal Investment Plan (UMPIP) up to 1% of the plan compensation.
**UMPIP:** Clergy are entitled to make additional personal contributions to the United Methodist Personal Investment Plan (UMPIP). Total contributions must comply with IRS regulations. **Please note:** this can be complicated and pertain differently to particular situations – please seek guidance from either our Conference Benefits Coordinator, Janis Salesi, or call the General Board of Pension and Health Benefits for assistance. Such an arrangement must be made prior to the receiving of the funds and included in the minutes of the Charge Conference. A "Before/After Tax" agreement must be sent to the General Board of Pensions and Health Benefits and be on file at the local church. A "Billing Change" form must be sent by the local church treasurer to the General Board of Pension and Health Benefits. Contributions must be sent on a salary-paying unit check. (see link below for “Before-tax and After-tax Contributions Agreement to the United Methodist Personal Investment Plan”, and “Billing Change Form for the United Methodist Personal Investment Plan” materials)

**Medical Reimbursement Account (MRA):** This is a re-allocation of the Pastor’s Salary (Section 125 of IRS Code). The pastor may elect to contribute through salary reduction to the Conference’s Office of Administrative Services to be forwarded to the General Board of Pension and Health Benefits setting up an MRA to help cover the cost of Medical co-pays and other related medical costs. Such monies are not taxable. Be careful to be as accurate in your estimate as possible. “Use it or lose it” applies to this fund. This is arranged with the General Board of Pension and Health Benefits by the pastor during the annual election period by filling out a MRA form on-line through the General Board of Pension’s website. **NOTE:** Clergy payment of the $250/$200 co-payment portion of the health insurance premium cannot be included in the MRA. See note above in “Health Insurance” for an explanation of the pastor’s health insurance premium co-payment. Clergy retiring in July of any year can only claim reimbursement for allowable expenses incurred prior to their effective retirement date of July 1.

**Dependent Care Reimbursement Account (DCA):** This is a re-allocation of the Pastor’s Salary (Section 125 of IRS Code). The pastor may elect to contribute through salary reduction to the Conference Office of Administrative Services to be forwarded to the General Board of Pension and Health Benefits setting up a DCA to help cover the cost of dependent care. Such monies are not taxable. Be careful to be as accurate in your estimate as possible. “Use it or lose it” applies to this fund. This is arranged with the General Board of Pension and Health Benefits by the pastor during the annual election period. The same restriction concerning reimbursement of expenses applies to pastors retiring during the year as above in the MRA section.

**Reimbursables:** The minimum amount for reimbursable accounts for 2015 voted at the 2014 Annual Conference for full time pastors is $2,950. An accountable reimbursement policy is not a benefit or a tax shelter; it is simply a method of claiming and reimbursing church-related business expenses. Such expenses are the cost of the “church doing business” and can include clergy travel, library, office supplies, postage, entertaining, etc. The safest way to do this is have vouchers approved by a designated person on the SPRC and then submitted for payment by the church treasurer. Regarding travel expenses, many churches reimburse travel at the IRS rate for 2014 is $.56 cents per mile (2015 rate not available until December).

**Note:** Clergy who are paid a monthly allowance for expenses or who do not submit appropriate back-up documentation for business related expenses must have the “allowance” added to their taxable wages.

**Housing Allowance Exclusion:** Like the Medical Reimbursement Account (and the Dependent Care Reimbursement Account) this is a re-allocation of the Pastor’s Salary. Under Section 107 of the IRS Code, compensation for providing a home is not subject to federal income tax. In the “Clergy Housing Allowance Clarification Act of 2002” this benefit is preserved provided it does not exceed “fair rental value”. By restructuring part of the compensation package to a “Housing Allowance Exclusion” that amount will not be subject to income tax. It should be noted that the “Housing Allowance Exclusion” is only tax-exempt to the degree that it is actually used for furnishings. Upon Tax Audit the pastor must show that all the allowance was spent on furnishings; any unspent balance becomes taxable income. Such an allowance needs to be recorded in the minutes of the Charge Conference prior to the receiving of such funds. The ”Housing Allowance Exclusion”, per IRS regulations, can include all furnishings, cleaning supplies, lawn applications, mowing, snow removal costs, cable TV, etc.
Continuing Education: The Discipline states “a clergy member’s continuing education and spiritual growth program should include such leaves at least one week each year and at least one month during one year of every quadrennium.” Such a program should be agreed upon and approved by the District Superintendent and SPRC. This is not to be construed as vacation, but of the minister’s continuing education and spiritual growth (Discipline Paragraph 351.2). Many churches use a 1/2, 1/2 approach, 1/2 paid by local church, 1/2 paid by pastor.

Social Security: By IRS regulations a salary-paying unit (i.e. the local church) CANNOT/MUST NOT pay Social Security for the pastor. The pastor, for Social Security purposes, is regarded as self-employed and therefore is responsible to pay 15.3% of cash salary plus parsonage "fair rental value."

Example A: if a pastor has a cash salary of $40,000 and lives in a parsonage with a “fair rental value of $12,000 that pastor will pay federal and state (if applicable) income taxes on $40,000 and Social Security at 15.3% on $52,000 (salary plus housing benefit).

Example B: if a pastor has a cash salary of $40,000 and lives in a parsonage with a “fair rental value of $12,000, and has a Code 107 Housing Allowance Exclusion of $4,000 to reduce State and Federal Taxes, that pastor will pay federal and state (if applicable) income taxes on $36,000 and Social Security at 15.3% on $52,000 (salary plus housing benefit plus Household Expense Allowance).

Example C: if a pastor has a cash salary of $40,000 owns their own home and receives $20,000 from the church for housing allowance in lieu of a parsonage that pastor will pay federal and state (if applicable) income taxes on $40,000 and Social Security at 15.3% on $60,000 (salary plus housing benefit).

If a local church so elects, it may provide the pastor a “FICA Allowance” to help offset the increased taxes due to having to file as a self-employed individual for Social Security purposes, realizing that this would also be treated as taxable income.

We hope that this information is helpful to you in the preparation of pastoral compensation for the year 2015. If you have additional questions please feel free to contact the Office of Administrative Ministries or your District Superintendent.

In Christ’s ministry,

William V. Burnside II
Conference Benefits Officer

Janis Salesi
Conference Benefits Coordinator

Before-tax and After-tax Contributions Agreement to the United Methodist Personal Investment Plan at:

Billing Change Form for the United Methodist Personal Investment Plan (UMPIP) at: