



**NEW ENGLAND CONFERENCE
THE UNITED METHODIST CENTER
OFFICE OF ADMINISTRATIVE SERVICES
411 Merrimack St Methuen, MA 01844
978-682-8055**

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Pastoral Compensation, 2019

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 2019 voted at the 2018 Annual Conference are:*

Full time Elder, Probationer, Permanent Deacon, or Associate Pastor	\$41,900
Full time Local Pastors with Master of Divinity or completed Course of Study	\$39,800
Local Pastor with Course of Study or Equivalent	\$38,800
Local Pastor	\$37,800
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: Wespeth 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:

<i>Year</i>	<i>New England (CAC)</i>	<i>% Change from prev. year</i>	<i>Denominational % (DAC)</i>	<i>CAC to DAC</i>
2015	\$60,184	2.7%	\$66,259	90.8%
2016	\$61,359	2.0%	\$67,333	91.1%
2017	\$62,373	1.7%	\$69,574	90.5%
2018	\$63,658	2.1%	\$70,202	90.6%
2019	\$64,606	1.5%	\$71,361	90.5%

Note: There are 14 Conferences below our CAC: Northern Illinois \$64,527, Michigan-Detroit \$64,359, Michigan-West Michigan \$64,359, West Ohio \$64,201, Virginia \$64,040, Western Pennsylvania \$63,975, Pennsylvania -Delaware \$63,728 Upper New York \$62,029, Oregon-Idaho \$59,699, East Ohio \$56,865, West Virginia \$55,152, Yellowstone \$54,735, Oklahoma Indian Missionary \$41,831, Red Bird Missionary \$36,870.

The 6 Conferences with the highest CAC are: Texas \$86,578, North Georgia \$84,706, North Texas \$83,119, Central Texas \$82,219, South Georgia \$81,315, Alabama-West Florida \$80,631.

Comparisons within our Conference: **PASTORS - PLEASE NOTE:** These are approximate figures, based on 2018 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):

\$70,000 or more	.....	12
\$65 – 69,999	.....	5
\$60 – 64,999	.....	9
\$55 – 59,999	.....	10
\$50 – 54,999	.....	36
\$45 – 49,999	.....	40
\$40 – 44,999	.....	67
Less than \$40,000	.....	4
others are less than full-time		

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 and Dental Insurance: The local church, beyond salary, funds Health Insurance. For 2019 we are offering Pastors two HealthFlex Plan options, our current B1000 PPO Plan and a new High Deductible Health Plan (HDHP) 2000 with a Health Savings Account (HSA). If you choose the HDHP 2000 plan the Conference will fund your HSA in the amount of \$500 for Individual/\$1,000 for Dual or Family. Plus you can contribute pre-tax dollars into your HSA. For more information on both plan options go to our conference website www.neumc.org/Benefits

Our health plans will not be subject to the “Cadillac Tax” provision in the Affordable Care Act. Blue Cross Blue Shield of Illinois administers, through your state’s Blue Cross provider, the insurance plan. Dental Insurance for 2019 will continue to be the CIGNA indemnity plan. Plan summaries for Blue Cross Blue Shield of Illinois and Cigna indemnity plan are available through Wespath Benefits at www.wespath.org or on our Conference website at www.neumc.org/Benefits. **The 2019 health insurance Blended Rate for the church portion will be \$18,996 per year**, this does not include the Pastor portion. The Pastor Co-pay (including the Benefit Stabilization Fund contribution of \$50 per month) is provided in the Table below:

2019 HealthFlex Plan Options Co-pay Amount

Tiers	Monthly Co-pay	
	B1000	High Deductible Health Plan (HDHP) 2000
Participant	\$295	\$170
Participant + one	\$295	\$ 50
Family	\$295	\$ 0 *

* Additional \$5 per month contributed into Health Savings Account (HSA)

Participants can reduce the total they pay for the health insurance premium co-pay by \$50.00 each month if they and their spouse, if married, log on to www.wespath.org & click on “HealthFlex/WebMD” **between**

August 1 and September 30, 2018 to complete the Health Quotient, an online health risk assessment questionnaire that most people can complete in less than 20 minutes. See table below:

Monthly Co-pay with Health Quotient (HQ) Discount

Tiers	B1000	High Deductible Health Plan (HDHP) 2000
Participant	\$245	\$120
Participant + one	\$245	\$ 0
Family	\$245	\$ 0 **

**Additional \$55 per month contributed into Health Savings Account (HSA)

Additionally, if participants and their spouse, if married, DO NOT complete the Health Quotient between August 1 and September 30, your health insurance deductible will be INCREASED by \$250 individual/\$500 for Dual or Family.

- **NOTE: Based on IRS rules, the pastor’s monthly co- pay 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 Wespath 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 "UMPIP Adoption Agreement" must be sent to Wespath Benefits and be on file at the local church. A "UMPIP Contribution Election" form must be sent by the local church treasurer to Wespath. Contributions must be sent on a salary-paying unit check.** UMPIP Forms and Information can be found at www.wespath.org

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 Wespath 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 Wespath by the pastor during the annual election period by filling out a MRA form on-line through WesPath Benefits at www.wespath.org . If you enroll in the High Deductible Health Plan 2000 with Health Savings Account you will have the option to enroll in a Limited –use MRA for Dental and Vision expenses only. **NOTE: Clergy monthly 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 Wespeth 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 Wespeth 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 2019 voted at the 2018 Annual Conference for full time pastors is \$3,000. 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 **2018 is 54.5 cents** per mile (2019 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. The "Housing Allowance Exclusion", per IRS regulations, can include all furnishings, cleaning supplies, lawn applications, mowing, snow removal costs, cable TV, etc. Upon Tax Audit the pastor must show that all the allowance was spent on approved IRS regulations for the "Housing Allowance Exclusion" and any unspent balance becomes taxable income. Such an allowance needs to be recorded in the minutes of the Charge Conference prior to the spending of such funds.

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 2019. If you have additional questions please feel free to contact the Office of Administrative Ministries or your District Superintendent.

In Christ's ministry,

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