



**NEW ENGLAND CONFERENCE  
THE UNITED METHODIST CENTER  
OFFICE OF ADMINISTRATIVE SERVICES  
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***Pastoral Compensation 2023***

There are several considerations to be taken into account in developing a total compensation package. Among them are Salary, Health Insurance, Pension, United Methodist Personal Investment Plan contributions (taxable or tax-deferred), Flexible Spending: Health Care and Dependent Care 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](http://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 2023 voted at the 2022 Annual Conference are:**

Full-time Elder, Deacon, Provisional Elder or Deacon, or Associate Member	\$45,700
Full-time Local Pastor with completed Master of Divinity or Advanced Course of Study	\$43,600
Full-time Local Pastor with completed Course of Study or Equivalent	\$42,600
Full-time Local	\$41,600

Add the following amounts for *additional years of service*:

at the completion of 3 through 5 years	\$600
at the completion of 6 through 10 years	\$1,200
at the completion of 11 through 15 years	\$1,500
over 15 years under appointment	\$2,000

Part-time pastors are entitled to a prorated portion of minimum salary.

***Additional information (read the complete document for important details):***

The minimum amount for reimbursable accounts for 2023 for full-time pastors	\$3,300
The local church share of the 2023 health insurance blended rate	\$20,160
(This does not include the pastor’s co-pay share. The pastor’s co-pay depends on which plan is chosen.)	

*Compared to our denomination:* Wespath 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>
2019	\$64,606	1.5%	\$71,361	90.5%
2020	\$65,830	1.9%	\$72,648	90.6%
2021	\$67,560	2.6%	\$74,199	91.0%
2022	\$68,546	1.5%	\$75,570	90.7%
2023	\$69,405	1.3%	\$76,221	91.0%

**Note:** There are 10 Conferences below our CAC: Michigan \$69,264, West Ohio \$67,557, Northern Illinois \$67,510, Virginia \$66,344, Upper New York \$65,409, Oregon-Idaho \$64,747, East Ohio \$62,750, West Virginia \$58,544, Red Bird Missionary \$45,801, Oklahoma Indian Missionary \$43,031.

The 6 Conferences with the highest CAC are: Texas \$92,568, North Texas \$91,825, North Georgia \$89,741, South Georgia \$87,921, Central Texas \$ 87,273, Alabama-West Florida \$85,265.

*Comparisons within our Conference: **PASTORS - PLEASE NOTE:*** These are approximate figures, based on 2022 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):

\$80,000 or more	.....	5
\$75 – 79,999	.....	6
\$70 – 74,999	.....	7
\$65 – 69,999	.....	2
\$60 – 64,999	.....	13
\$55 – 59,999	.....	16
\$50 – 54,999	.....	35
\$45 – 49,999	.....	56
Less than \$45,000	.....	14
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 2023 we are offering HealthFlex Exchange.

- Six medical/pharmacy plans, most of which include a health savings account (HSA) or health reimbursement account (HRA) to help offset out-of-pocket expenses.
- Three dental plans.
- Three vision plans.

All Six Medical Plans will still include:

- Preventative and wellness services are covered at 100%, with no deductible required.
- The same network providers and the same prescription drug formularies.
- All plans include a deductible which must be met before the insurance pays.

Blue Cross Blue Shield of Illinois administers, through your state’s Blue Cross provider, the HealthFlex insurance plan. Dental Insurance for 2023 will continue to be Cigna Dental with three plans available and a choice of three VSP Vision plans. Plan summaries for Blue Cross Blue Shield of Illinois, Cigna Dental and VSP Vision are available through Wespath Benefits at [www.wespath.org](http://www.wespath.org) or on our Conference website at [www.neumc.org/Benefits](http://www.neumc.org/Benefits).

**The 2023 health insurance Blended Rate for the church portion will be \$20,160 per year**, this does not include the Pastor portion. The Pastor Co-pay portion, which includes the Benefit Stabilization Fund contribution of \$55 per month and a Conference Board of Pension Health Check subsidy of \$50 per month, will depend on which HealthFlex plan the Pastor chooses.

**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.**

**Wespath incentive:** Take the Health Check (formerly Health Quotient) online health assessment to avoid a higher deductible for your HealthFlex health insurance plan in 2023. HealthFlex participants and covered spouses who DO NOT complete the Health Check between January 1 and August 31, 2022, will see an INCREASE in their health insurance deductible: \$250 for individuals/\$500 for dual or family coverage. **To complete the Health Check, log onto [www.virginpulse.com/login](http://www.virginpulse.com/login) or use the Virgin Pulse mobile app.**

**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 Credited 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. **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](http://www.wespath.org). Wespath contact number (800) 851-2201.

**Flexible Spending Health Care Account:** 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 a Health Care Account 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 when completing the online Annual Election through Wespath Benefits Investment at [www.benefitsaccess.org](http://www.benefitsaccess.org). If you enroll in the High Deductible Health Plan with Health Savings Account, you will have the option to enroll in a Limited-use Health Care Account for Dental and Vision expenses only. Any funds in a Health Reimbursement Account (HRA, see below) would also be limited use. **NOTE: Clergy monthly co-payment portion of the health insurance premium cannot be included in the Health Care Account. 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.**

**Flexible Spending Dependent Care 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 Wespath 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 Wespath 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 Health Care Account section.

#### **Health Savings Account (HSA):**

Health Savings Accounts (HSA) are available **only** to participants who choose the High Deductible Health Plan (HDHP) option. These are pre-tax dollars. Participants may elect to contribute through salary deduction. Deducted amounts are sent to the Conference's Office of Administrative Services, which then forwards them to Wespath, which sets up the HSA account. HSAs provide a unique tax advantage: contributions are deducted from gross income, interest and earnings accrue tax-deferred, and withdrawals are tax deferred; they also include an "employer" contribution. For more information, log in to [www.wespath.org](http://www.wespath.org), click "HealthFlex/WebMD and select "Reimbursement Account."

#### **Health Reimbursement Account (HRA)**

An HRA Plan is a type of health coverage that allows your employer to fund a health reimbursement arrangement (HRA, also called a "health reimbursement account") that you may use to pay out-of-pocket health care expenses, with health coverage that protects you from very high medical expenses, with an out-of-pocket maximum.

**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 Flexible Spending Health Care Account (and the Dependent Care 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.

**Moving Expense:** It is important and necessary for local churches to report any moving expense payments made to, or on behalf of, active clergy to the Conference for benefit calculation purposes. Wespath Benefits and Investments has provided information about the changes in federal tax law concerning moving expense payments and the importance of reporting such payments to the New England Conference. For more information from Wespath click <https://www.wespath.org/movingexpenses/>

**Reimbursable:** *The minimum amount for reimbursable accounts* for 2023 voted at the 2022 Annual Conference for full-time pastors is \$3,300. 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 2022 of 62.5 cents per mile (2023 rate not available until December).

**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 part 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 2023. If you have additional questions, please feel free to contact the Office of Administrative Services or your District Superintendent.

In Christ's ministry,

*John Cardillo*

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