

CHARGE CONFERENCE APPENDIX B

2023 Clergy Salary & Benefits Package Guidelines

An Approved Salary & Benefits Package form must be completed

- a) for all appointed pastors in churches, start-ups and missions as of January 1, 2023**
- b) for a pastor going to a new appointment at any time (July 1 or interim after January 1, 2023)**
- c) for all interim salary & benefits changes**

a) For all appointed pastors continuing in appointments at local churches, satellite campuses, start-ups, and missions as of January 1, 2023.

The salary and benefits form (as Charge Conference Form #3) is approved at charge conference in the fall 2022, and is then completed by the church online in Formstack, to be effective January 1, 2023. The District Superintendent reviews and approves the worksheet prior to the charge conference. The salary and benefits form is automatically distributed to the correct District Office. The District Office enters the information in the Conference's data collection system and verifies it matches the District Superintendent's approved version. The Conference Human Resources Office retrieves the data and enters the information into the Conference and Wespath billing systems.

b) For a pastor going to a new appointment at any time (July 1 or interim after January 1, 2023)

The District Superintendent, the new church's SPRC and the pastor discuss and agree upon the salary and benefits package. The salary and benefits form is completed by the church online in Formstack (as Charge Conference Form #3). The District Office enters the information in the Conference's data collection system. The District Superintendent reviews and approves the form after it is entered. After approval, the Conference Human Resources Office retrieves the data and enters the information into the Conference and Wespath billing systems.

c) For all interim salary & benefits changes (including July 1 salary changes without new appointment)

The salary and benefits form is completed by the church online in Formstack as Charge Conference Form #3. The District Office enters the information in the Conference's Salary & Benefits data collection system. The District Superintendent approves the form after it is entered. The Conference Human Resources Office retrieves the data and enters the information into the Conference and Wespath billing systems.

The Salary & Benefits process is not complete until the form is accurately completed, approved by the District Superintendent, the data entered into the Conference database, the amounts verified by the Human Resources Office, and billing of the local church begins.

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GENERAL INFORMATION FOR SALARY FORM COMPLETION

Method of Payment

The way in which the pastor receives a payment determines whether it is part of his/her salary for purposes of calculating some clergy benefits.

Items that are paid as ALLOWANCES (A) to the pastor without a receipt are considered part of Adjusted Salary. When the Adjusted Salary is combined with the housing allowance or the parsonage allocation, the total is called "Plan Compensation" and is recorded in Line 12. Plan Compensation is used to calculate:

Line 15: Clergy Retirement Security Program-Defined Contribution (CRSP-DC)

Line 16: Clergy Retirement Security Program-Defined Benefit (CRSP-DB)

Line 17: Comprehensive Protection Plan (CPP)

Items that are paid as REIMBURSEMENTS (R) following presentation of a receipt, as BENEFITS (B) to the Conference or DIRECT (D) to vendors for services are not considered part of the Adjusted Salary.

Note for awareness: When changing the method of payment from an ALLOWANCE (A) to a REIMBURSEMENT (R) or DIRECT PAYMENT (D), please be aware that while there may be potential savings in income and social security taxes paid by the clergy, the pastor's pension contribution by the church will be reduced. This difference can be demonstrated by changing the method of payment from "A" to "R" or "D" and noting the change in the pension contribution amounts at the bottom of the Salary & Benefit form.

Mark each item on the salary form with the way in which the pastor receives the item.

A = Allowance paid to the pastor without receipt

R = Reimbursed to the pastor following presentation of receipt or voucher

B = Payment for Benefit, ie: health insurance, CRSP-DC, CRSP-DB, CPP

D = Direct payment to vendor, ie service provider, utility company

LINE-ITEM SPECIFIC INFORMATION FOR SALARY FORM COMPLETION

Complete section with the requested information. Instructions for certain sections are contained on the form itself.

Line 1—Salary

This is the base salary before it is adjusted for tax purposes. For minimum salary schedules, refer to Appendix C (Minimum Compensation Standards). Instructions for use of the optional Minimum Salary Tool are contained on the Salary & Benefits form. For further information or assistance with this calculation, please contact the Human Resources Office. Clergy on less-than-full-time appointments may have a salary that is prorated to their appointment percentage.

Note re: housing allowance: If an allowance for utilities is listed on the Salary and Benefits form line 4, a utilities allowance should NOT be included in the church's calculation of the housing allowance on the Housing Allowance Estimate Worksheet, and vice versa. Including the utilities allowance in both places has the effect of having the amount be counted twice and skewing the Plan Compensation total. If utilities are paid via reimbursement or direct payment, there would be no reason for this to be listed on the Housing Allowance Estimate Worksheet, and the amount should be listed on the salary and benefits form line 4, marked with the appropriate method of payment (R or D).

Lines 2 through 9—Expenses, Allowances and Reimbursements

For assistance in determining whether items are allowances or reimbursable expenses, including the recommendations and requirements for setting up a reimbursement account, go to the GCFA website at <https://gcfa.org/forms-and-resources/financial-forms/> and go to "Accountable Reimbursement Policies Q & A" for more information.

Line 8: Social Security Allowance

(The following is not intended to be tax advice, and is provided as information only. For advice, and to receive further information, it is suggested that the church consult with a tax professional.)

Under **Social Security** rules, ministers are not eligible to split their Social Security tax with the employer. Social Security considers clergy to be self-employed, and as such, clergy are responsible for paying the full 15.3% SECA tax. A church may wish to assist their pastor with payment of half of the Social Security tax, in the same way they are required to do for non-clergy staff under FICA. However, the church may not, under Social Security rules, send money to Social Security on behalf of their pastor. The only way a church might be able to assist in this payment would be to budget a Social Security Allowance as a separate line item, and roll the amount into the compensated wages of the pastor. Since the IRS considers clergy to be employees, they consider a Social Security Allowance to be additional taxable income that will roll into Box 1 on the W2 form. If a church chooses to establish a Social Security Allowance, having it recorded separately on the Salary & Benefits form (Line 8) will ensure that it is considered separately in the church's budget. **Note that since a Social Security Allowance is additional taxable compensation, it is included in the pastor's Plan Compensation (Line 12) on which the CRSP-DC, CRSP-DB, and CPP contributions are calculated.**

Line 9—Other

This line may be used if additional taxable salary is paid to the pastor due to health insurance not being provided by the church. For example, the pastor may be covered for health insurance by a spouse's employer, or by the military. In the space provided under "specify," type in this phrase: **Additional taxable salary due to health insurance not being provided.** See addendum to this Guidelines document for additional information provided by Wespath about Employer Payment Plans for medical coverage. Any additional taxable salary provided in this section will be included in the pastor's Plan Compensation (Line 12) on which the CRSP-DC, CRSP-DB and CPP contributions are calculated.

Under new federal legislation in effect January 1, 2017 (the 21st Century Cures Act), a church/small employer that does not offer a group health plan to any of its employees (including the pastor) may provide funds through a Health Reimbursement Account under a "qualified small employer health reimbursement arrangement" (QSEHRA). For more information about the guidelines and limitations of this law, please refer to the Legislative Update published by Wespath at <http://www.calpacumc.org/QSEHRAUpdate>.

Line 10—Adjusted Salary

This is a total of all the items that make up a pastor's cash salary, and is combined (on Line 12) with the housing figure to equal the total plan compensation on which CRSP-DC, CRSP-DB and CPP are calculated.

Housing

Housing is used in the calculation of CRSP-DC, CRSP-DB and CPP contributions.

Line 11a is for a housing allowance paid to a pastor who does not live in a parsonage.

Line 11b is the value of housing that is assigned to a pastor who lives in a parsonage. The standard amount, as dictated by the terms of the plans designed by Wespath and adopted by General Conference, is 25% of the adjusted salary (Line 10).

Line 12—Plan Compensation

This is the figure from which CRSP-DC, CRSP-DB and CPP contributions are calculated. It is arrived at by adding the adjusted salary (Line 10) and either the housing allowance (Line 11a) or parsonage figure (Line 11b).

Lines 13a & 13b—Health Insurance Premiums & Health Benefit Payments

Conference rules require that all clergy receive health insurance at the cost of the church they serve. [2022 Journal/Fiscal Rules (XII.Q.4.a.i and XII.Q.5.a.1)]. For clergy appointed full-time and three-quarter time, the church is responsible for the full amount of the premium cost for the clergy and family. For clergy appointed one-half time, the church is responsible for payment of one half of the premium cost for the clergy and family. For clergy appointed one-quarter time, the church is responsible for payment of one quarter of the premium cost for the clergy and family. Only the church's portion of the premium cost should be shown on the Salary & Benefits form.

For clergy enrolled in Conference-sponsored health plans, enter the church's cost on Line 13a with B indicated in the Method of Payment column. Contracted rates will be available and published in October. Prior to publication, plan on a 3% rate increase from 2022 rates. Actual rates could be more or less than this amount. [Hawaii clergy & churches have different rates; please contact your district office for a rate sheet.]. When actual rates are available, they will be available on the Conference website at <http://www.calpacumc.org/bophb/health>.

For clergy enrolled in a small group health plan that is not sponsored by the conference, such as a plan under the Small Business Health Options Program (SHOP), enter the church's cost on Line 13b with B indicated in the Method of Payment column.

Under the terms of the Affordable Care Act, employers may no longer place annual limits on benefits. The IRS has determined that stand-alone Health Reimbursement Accounts, Employer Payment Plans that reduce the employee's taxable wages in order to purchase individual

health plans through the ACA Marketplace or on the private market, and other programs where employers reimburse employees for health insurance premiums paid by the employee or spouse to another sponsoring entity, such as a spouse's employer or the military, place limits on the benefit received. Therefore, these programs are no longer acceptable. For assistance, please consult a health insurance professional. For a referral, please call the Conference Health Benefits Office at (626) 568-7319. See the attached addendum for further information.

See guidelines for Line 9 (Other) for information about a Health Reimbursement Arrangement program under the 21st Century Cures Act that might apply to a very small number of churches.

Line 14—Dental Insurance

Dental insurance is an optional benefit. The cost of the benefit should only be listed on Line 14 if the church has elected to pay for it. Rates will be available and published in October 2022. [Hawaii clergy & churches have different rates; please contact your district office for a rate sheet.]

GENERAL INFORMATION ABOUT THE CLERGY RETIREMENT SECURITY PROGRAM (CRSP)

CRSP is the pension plan that has been in effect since January 1, 2007, and has two components: the Defined Contribution (DC) and the Defined Benefit (DB).

Defined Contribution (DC): The benefit the pastor will receive from the DC component when he/she retires is based on the actual dollars going in, plus earnings, and will be a finite amount of money that he/she will have 100% access to upon retirement.

Defined Benefit (DB): The benefit the pastor will receive from the DB component will be based on his/her years of service under the plan and the Denominational Average Compensation (DAC) at the time he/she retires, and will provide a monthly benefit for life.

Line 15—CRSP-DC (Clergy Retirement Security Program-Defined Contribution)

Under the terms of the revised CRSP-DC plan in effect since January 1, 2014, the church makes a non-matching contribution to CRSP-DC in an amount equivalent to 2% of the pastor's Plan Compensation (Line 12). The church contributes an additional 1% to CRSP-DC if the pastor contributes at least 1% to the United Methodist Personal Investment Plan (UMPIP) through payroll deduction. The church sends the UMPIP contribution directly to Wespath.

Please contact the Conference Human Resources Office at (626) 568-7318 for assistance in setting up an adoption agreement for UMPIP for clergy if your church does not already have one in place.

In order to ensure that contributions into the pastors' accounts are made in a timely manner, the conference makes up-front contributions to CRSP-DC on behalf of the pastors. The conference then bills the churches in the amounts needed to cover these payments. Most or all clergy want to maximize their retirement benefit by making a personal contribution of at least 1% into UMPIP, so the church is billed at a rate of 3.1% of the pastor's plan compensation found on Line 12 whether their pastor contributes to UMPIP or not. If a pastor chooses not to contribute the 1% to UMPIP, negating the need for the matching 1% to CRSP from the local church, Wespath retains the 1% in reserve to reduce the future cost of the CRSP program. Clergy with a total appointment of 25% are not eligible to CRSP-DC contributions. They may choose to participate in a retirement plan via the United Methodist Personal Investment Plan (UMPIP). The churches served by pastors appointed 25% are not billed for CRSP-DC.

The service charge that is added to CRSP-DC and CPP is used to pay the salaries and benefits of the Conference Human Resources staff, who handle pension and health benefits administration for the Conference, as well as all administrative expenses for those areas. These expenses are not part of the apportionment.

To obtain the annual CRSP-DC figure, multiply the plan compensation (Line 12) by 0.031.

Line 16—CRSP-DB (Clergy Retirement Security Program-Defined Benefit)

The benefit pastors will receive from the Defined Benefit component of CRSP upon retirement will be based on their years of service under the plan and the Denominational Average Compensation at the time they retire, and will provide a monthly benefit for life. Since this is a guaranteed benefit for life (an annuity), the Defined Benefit component of CRSP must be funded with annual contributions by the conference to make sure there will be enough money in the fund for those who need it upon retirement. The money that goes to pay this annual obligation does not relate to a specific pastor. It is simply to make sure the plan is funded for the future for the benefit of all the eligible pastors of the conference, including each church's current pastor.

The actuaries at Wespath tell each conference what their annual CRSP-DB obligation is, and it is up to the conference to determine how this amount will be funded each year. Beginning in 2009, the Annual Conference has voted to bill the churches for CRSP-DB for the upcoming year on a pro-rata basis, using a formula relating to the plan compensation of their current pastor. This amount does not go directly into the current pastor's pension account like the Defined Contribution does. It goes to the Wespath to help fund Cal-Pac's total CRSP-DB obligation for 2023. **The billing rate for 2023 is 10%.** Clergy with a total appointment of 25% are not eligible to CRSP-DB, and the churches they serve are not billed for CRSP-DB.

To obtain the CRSP-DB figure, multiply the plan compensation (Line 12) by 0.10.

Line 17—Comprehensive Protection Plan (CPP)

CPP is the denominational death and disability program for clergy. All full-time elders, deacons and local pastors are eligible to and are required to participate in this benefit. In addition, all elders, deacons and local pastors appointed 75% are required to participate in this benefit, as adopted by the Conference Board of Pensions effective 1/1/17. The billing rate for **all these classifications is 3.1%** of Plan Compensation.

To obtain the CPP figure, multiply the plan compensation (Line 12) by 0.031.

Line 18—Church Contribution to Tax-Deferred 403(b) plans

A pastor's personal contribution to the United Methodist Personal Investment Plan (UMPIP), where the church deducts a contribution from the pastor's pay, is not an expense to the church and should not be recorded on the Salary & Benefits form. However, a church may choose to make a contribution to the pastor's UMPIP account in addition to whatever personal contribution the pastor makes. This contribution would be an expense to the church, but would not be included in the pastor's taxable income or plan compensation. Therefore, contributions by the church as an employer contribution to any tax-deferred 403 (b) plan, including UMPIP, would be recorded on Line 18, and the Method of Payment would be B (benefit).

Line 19—Total Salary-& Benefits

This is a total of all items for which there is an expense to the church for the pastor's compensation and benefits. It does not include Parsonage Value.

ADDENDUM A

Important Information on Employer Payment Plans for Medical Coverage

The Internal Revenue Service (IRS) and Department of Labor (DOL) issued guidance (DOL technical release 2013-03 and IRS [Notice 2013-54](#)) that may impact how your church funds medical coverage for some employees. The guidance states that, effective January 1, 2014, organizations may no longer directly pay premiums for an individual health insurance policy [a health insurance policy for an individual or family purchased directly from an insurance company (an “issuer”) or through the Affordable Care Act’s (ACA) Marketplaces (also called exchanges)] for an employee, nor reimburse an employee who purchases an individual health insurance policy. These arrangements are sometimes called “Employer Payment Plans” (EPPs) or stand-alone health reimbursement arrangements (HRAs).

Although Employer Payments Plans and stand-alone HRAs are no longer permitted for active employees, an employer can establish a payroll practice of forwarding post-tax employee wages to a health insurance issuer at the direction of the employee, if the arrangement satisfies a few other requirements:

- No contributions are made by the employer, i.e., the payment is part of the employee’s taxable salary that is being forwarded by the employer to the insurance issuer.
- Participation in the program is completely voluntary for employees.
- The employer collects premiums through payroll deduction and remits them to the insurer without endorsing the program.
- The employer receives no consideration (e.g., cash) other than reasonable compensation for administrative services rendered to collect the premiums.

Government agencies have made it clear that employers could also violate the ACA by reimbursing employees for premiums employees paid to the issuer with dollars reported as taxable income. These taxable reimbursement arrangements would be considered employer group health plans and would also be prohibited under the ACA as violating the prohibition on annual dollar limits in a health plan. This latest guidance means that *the only way employers can assist their employees in paying for individual health insurance policies is through increased salaries or the above- described safe harbor salary-forwarding type arrangement*. While there have been Executive Orders issued that could change this, until agencies like the IRS, the Department of Labor and/or the Department of Health and Human Services decide to make a change, Wespath’s position is that the orders themselves do not have any legal impact.

Local churches that rely on Employer Payments Plans to cover lay employees, deacons or full and part-time clergy should terminate those plans immediately. Continuing these plans risks Affordable Care Act (ACA) excise tax penalties to the local church, namely a penalty under Section 4980D of the Tax Code that levies a penalty of **\$100 per day per affected employee** on the employer (e.g., the local church). This can amount to \$36,500 annually per employee. Moreover, these arrangements, even if prohibited, would be considered “minimum essential coverage” under the ACA, and the local church would be required to submit year-end information reporting forms (*Forms 1095-B*) to the IRS related to the coverage for each employee. Failure to report minimum essential coverage (no matter how small an employer/plan sponsor is) can result in significant additional penalties to the employer.

Local churches that wish to continue providing financial assistance to help employees purchase individual health plans or policies through the ACA Marketplace or the private market still have a few options:

1. A local church can increase the employee’s taxable wages, provided the church does not condition the wage increase on the purchase of insurance. This option also increases the employee’s taxes and the church’s payroll (FICA) taxes and has implications for other benefits, such as retirement benefits through the Clergy Retirement Security Program (CRSP) and United Methodist Personal Investment Plan (UMPIP), as well as denominational and conference average compensation (DAC and CAC).
2. A local church can establish a payroll practice of forwarding post-tax employee wages to a health insurance issuer at the direction of an employee, if the practice meets the following criteria:
 - No contributions are made by an employer.
 - Participation in the program is completely voluntary for employees.
 - The employer collects premiums through payroll deduction and remits them to the insurer without endorsing the program.
 - The employer receives no consideration (e.g., cash) other than reasonable compensation for administrative services

rendered to collect the premiums.

3. A local church can adopt plans through the Small Business Health Options Program (SHOP) Marketplace for employees and provide a tax-free contribution toward coverage.

In addition, there are ACA restrictions on health flexible spending accounts (FSAs). Employees at local churches should not be provided a health FSA unless they have also been offered access to an employer group health plan, e.g., a small group market plan, SHOP plan or an annual conference plan that is sponsored, adopted or “participated in” by the local church.

Employers also can offer tax-free excepted benefits (such as employee assistance programs, dental and vision plans) to employees. Employers also can use deferred compensation arrangements [e.g., 403(b) plans, etc.] as a complementary approach to relying on the ACA Marketplaces.

If you have any questions, please contact the annual conference benefits office.

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ADDENDUM B

Frequently Asked Questions (FAQ) on the Formstack Form

- 1) Fields do not hide or show correctly (example, list of churches when district is selected).

Answer: Be sure you are using an updated browser with current Java. We advise using Chrome or Firefox. Users have experienced difficulty if using Internet Explorer, Edge, or Safari.

- 2) I can't click the 'Next' button to go to the next page!

Answer: Many fields on the form are required. Check back on the current page to see if you have entered an answer on every line, and if all answers are in correct format (i.e. use "0" not "zero", no spaces in email addresses, and phone numbers with area codes).

- 3) I used Save & Resume but forgot to write down/save the URL and didn't email it to me.

Answer: **Conference and district staff cannot retrieve these partially completed forms.** If you Save & Resume later, you must save the URL so you can get it back.

- 4) I used Save & Resume and have the URL, but it's been more than 30 days.

Answer: The saved form is only retained in the system for 30 days and is automatically purged if not retrieved. We cannot get it back.

- 5) I still have questions. What do I do?

Answer: Unfortunately, the conference cannot provide support for your software or computer. We will, however, do our best to assist you with this form and its completion. If the information above did not answer your questions, please contact your district administrator for assistance with the form. For additional questions regarding CRSP and CPP funding, please call the Human Resources Office at (626) 568-7318.