

## **INSTRUCTIONS FOR CLERGY COMPENSATION FORM - 2022**

### **PLEASE READ THIS ENTIRE DOCUMENT BEFORE PLANNING COMPENSATION AND COMPLETION OF THE FORM**

The Clergy Compensation Form is used for documenting what is adopted at Charge Conference as the Compensation for the person serving the church as pastor or for Deacons appointed to a local church. The on-line *Benefits Calculator tool* will automatically calculate the pastoral increment and the corresponding benefits (health insurance, pension and life/disability plans) expenses. Although these instructions may look daunting, it is really a simple process of entering a few numbers into the *Benefits Calculator tool* and then transferring information to the Clergy Compensation Form.

Please note the following in completing the form:

1. A layperson serving a Local Church is **not** entitled to benefits and **cannot** have a housing allowance (i.e., there can be nothing entered in Section II or Section IV of the Compensation Form). This applies to Deaconesses, Diaconal Ministers, Supply Pastors and Certified Lay Ministers.
2. **All reimbursement of expenses must be made by an Accountable Reimbursable Plan under Section IV. Any amounts entered into Section IV can only be paid with itemized receipts and mileage logs; you cannot just divide this number by 12 and pay it monthly.** If you have questions, contact Sandy O'Brien in the Conference Office (225-346-1646; [sobrien@la-umc.org](mailto:sobrien@la-umc.org)).
3. A Clergy Compensation Form must be completed for each church and, if the church is part of a charge, then a combined Charge form for the Charge must be completed. This is to ensure that all benefits expenses are correctly allocated to each church on the charge.
4. The most common types of Clergy Relationship Status to be entered on the top of page 1 are:

FE Full Connection Elder  
PE Probationary Elder  
OE Other (Non UM) Full Connection Elder  
OR Retired Elder from Other Conference  
RE Retired Full Connection Elder  
FD Full Connection Deacon  
PD Probationary Deacon  
OD Other Deacon  
RD Retired Full Connection Deacon  
AM Associate Member

RA Retired Associate Member  
FL Full Time Local Pastor  
PL Part Time Local Pastor  
RL Retired Local Pastor  
OF Other non-Methodist Denomination  
HL Honorable Location  
DC Deaconess  
DM Diaconal Minister  
LM Certified Lay Minister  
SY Supply Pastor (lay)

5. The **Appointment Increment** to be entered at the top of page 1 is found on the Benefits Calculator Sheet (see below on using the calculator). Included in the Charge Conference packet is a 2022 Increments sheet that shows the breaking points for the various Appointment Increments (i.e. ¼, ½, ¾, FT) and what benefits clergy are entitled to at the various Appointment Increments. While the Benefits Calculator does these calculations automatically, this information may help the church in planning.

**6. Section I - Total Base Compensation.**

a. List the total for Base Compensation **at the top**. Next, list the items that are to be deducted from the clergy's paychecks in order to come to a Net Actually Paid to the Clergy figure that the church will pay the Clergy through its payroll process. Note these are annual amounts and should be divided by the church's number of pay periods in a year, i.e. 12, 24, or 26. Also note that this amount does not include any housing or utility allowance that may be paid per pay period.

b. Section I.1.a applies if a clergy person requests the church to withhold federal or state income taxes (**DO NOT Withhold FICA/Medicare taxes for clergy**) in lieu of, or in addition to, any quarterly estimates the clergy may make to the respective taxing authorities for his/her personal tax obligation. The church is not required to withhold any taxes from the clergy's paycheck but may elect to do so as a convenience to the clergy. The Conference recommends that clergy consult with their personal tax professionals and the church's finance committee to determine if withholding taxes is feasible given the expertise and personnel of the church.

**CAUTION: If the church decides to withhold taxes on behalf of the clergy, the finance staff is responsible for remitting the payments timely and accurately to the respective taxing authorities. The IRS is relentless in pursuing unpaid/unremitted payroll taxes.**

c. Sections I.1.b, I.1.c and I.2.a involve the Personal UMPIP contribution. The Clergy is responsible for determining these amounts and informing the church of these amounts for inclusion on the form.

- i. Section I.1.b is for a regular post-tax contribution to the UMPIP plan.
- ii. Section I.1.c is for a ROTH post-tax contribution to the UMPIP plan.
- iii. Section I.2.a is for a pre-tax contribution to the UMPIP plan.

d. In order for a clergy person who is entitled to CRSP DC contributions (clergy 1/2 time and above) to receive the full 3% contribution into their employee (personal) account, the clergy person **MUST** make a minimum employee (personal) UMPIP contribution of 1% of Total Plan Compensation on one of the lines listed above. This 1% figure is found on the Benefits Calculator Sheet (see instructions below). Clergy can contribute more than 1% and are encouraged to do so; this is

accomplished by entering an amount equal to or larger than the 1% listed on the Benefits Calculator Sheet. The Benefits Office will contact the pastor directly if additional paperwork is needed because of elections made. If a clergy person has a question about the various UMPIP options available, he/she should contact the Benefits Office EARLY in the process of setting compensation (Theresa Stevens, benefits@la-umc.org; 225-346-1646, ext. 204).

**FOR CHURCHES ON A CHARGE**, use the charge form amount for Total Plan Compensation for calculating the required 1% contribution amount. The number for the employee (personal) UMPIP contribution should be entered in Section I on **both** the form for the charge **AND** the form for the lead church on the charge only. **It is not entered on other churches in the charge.** This is a Wespath requirement.

- e. Section I.3 involves voluntary salary reduction agreements. Line I.3.a is for employee's Health Savings Account (HSA) deductions (these are employee contributions only, **not** the \$100 per month that the Conference contributes with the Health Plan expense) and Line I.3.b is for other cafeteria plan deductions that your local church may have and the clergy has elected to utilize.
- f. Line I.4. is for clergy to indicate a deduction for the **Minister's Emergency Fund**. This money is used to help clergy in the Conference with pressing financial emergencies. The recommended amount is ½ of 1% (or 0.005) of Base Salary. The money withheld by the church from the clergy's compensation is remitted to the Conference office on line 5030 of the Apportionment Remittance Form. At the end of the calendar year, the church should provide to the clergy a 501c(3) tax deductible donation letter reflecting the total amount actually deducted for the year, stating that it was for the Louisiana Annual Conference Minister's Emergency Fund.
- g. The Net Actually Paid to Clergy is calculated only **after** you have run the Benefits Calculator tool and entered the amount for any employee (personal) UMPIP contribution and other items on lines 1, 2, 3 and/or 4.

## 7. Section II - Housing, utilities, and housing exclusions Parsonage or Cash Allowance

- a. A lay person serving in a local church **CANNOT** have Section II income, or Benefits in Section IV.
- b. If a church on the charge provides a parsonage, every church on the charge is to check the parsonage box.
- c. If a clergy person has a dual appointment and both appointments are to churches and if a parsonage is provided in one of the dual appointments, then all churches must check parsonage on the benefits calculator.

At the bottom of Page 1, the **TOTAL BENEFITS PLANS COMPENSATION** should be compared to the Total Plan Compensation found on the Benefits Calculator Sheet (see below on using the calculator).

8. **Section III** can only be used for Travel and Professional Expenses that are paid pursuant to an Accountable Reimbursable Plan. If figures are entered in this Section, an Accountable Reimbursable Plan must be in place already or one must be adopted at Charge Conference and this must be reflected in the Minutes of Charge Conference. Information on AR Plans, including samples, can be found here:

<https://www.la-umc.org/accountablereimbursablepoliciesqa>.

Amounts paid to the Clergy person must be supported by either a mileage log or itemized receipts indicating business purpose as required by the adopted Accountable Reimbursable Plan and these documents must be received by the church prior to any payment. (note that a charge slip with only a total charged does not suffice) If you have questions, contact Sandy O'Brien in the Conference Office (225-346-1646, ext. 201; sobrien@la-umc.org).

### 9. **Section IV - Benefits Paid for the Clergy.**

Use the *Benefits Calculator* tool to complete the information needed for the Clergy Compensation Form, Section IV. It will calculate all numbers needed for all entities (health insurance, and/or pension and life/disability). If a clergy person wishes to waive pension you still run the *Benefits Calculator* - see Special Situation 1 in the section below. *Benefits Calculator* tool is found on the website with the Charge Conference Packet information under the link to **FORM F - Clergy Compensation Form –** (<https://www.la-umc.org/benefitscalculator2022>).

A. **IMPORTANT** – Once you have entered information and the calculator has computed the values, **PRINT OUT calculator sheet**. The *Benefits Calculator* **does not save** your information. If you forget to print out this sheet, you will have to re-enter all of the information needed to calculate the benefits for your clergy. This printed sheet **must be attached to the Clergy Compensation Form**.

B. There are three different calculators. Use the one that is specific to the clergy person's situation.

a. **Single Appointment**

The clergy person has only one appointment to only one entity (a church or an extension ministry position)

b. **Single Charge**

The clergy person has an appointment to only one charge consisting of two or more churches.

c. **Dual Appointment**

The clergy person has a dual appointment situation whereby the clergy person is appointed to either two different churches who are not on a charge with each other, a charge and a church not on that charge, two charges, or any of those combinations and an extension ministry position.

C. **For a Single Charge or Dual appointment situation, you must have all the information from Section I and Section II of the forms for each entity that is part of the charge or each dual appointment situation to proceed. It WILL NOT WORK if you do not have all this information.**

## 10. Section IV - Benefits Paid for the Clergy.

**Use the Benefits Calculator tool to complete the information needed for the Clergy Compensation Form, Section IV.** It will calculate all numbers needed for all entities (health insurance, and/or pension and life/disability). If a clergy person wishes to waive pension you still run the Benefits Calculator - see Special Situation 1 in the section below. Benefits Calculator tool is found on the website with the Charge Conference Packet information under the link to FORM F - Clergy Compensation Form – (<https://www.la-umc.org/benefitscalculator2022>).

**A. IMPORTANT – Once you have entered information and the calculator has computed the values, PRINT OUT calculator sheet.** The Benefits Calculator does not save your information. If you forget to print out this sheet, you will have to re-enter all of the information needed to calculate the benefits for your clergy. This printed sheet must be attached to the Clergy Compensation Form.

B. There are three different calculators. Use the one that is specific to the clergy person's situation.

**a. Single Appointment**

The clergy person has only one appointment to only one entity (a church or an extension ministry position)

**b. Single Charge**

The clergy person has an appointment to only one charge consisting of two or more churches.

**c. Dual Appointment**

The clergy person has a dual appointment situation whereby the clergy person is appointed to either two different churches who are not on a charge with each other, a charge and a church not on that charge, two charges, or any of those combinations and an extension ministry position.

**C. For a Single Charge or Dual appointment situation, you must have all the information from Section I and Section II of the forms for each entity that is part of the charge or each dual appointment situation to proceed. It WILL NOT WORK if you do not have all this information.**

D. If pension has been waived with a notarized form on file (see the information below on Special Situations – Clergy Who Waive Pension) then mark the “Pension Waived Notarized Form on File”.

E. Entering Total I – this is the amount at the top of Section I (Total Base Compensation). A person cannot have a zero entered in Section I if there is something in Section II.

F. Entering Total II – this is the amount at the bottom of Section II (Total Housing). If there is nothing in Total II enter zero.

G. Once all data is entered for the church(es), the Benefits Calculator tool will then calculate the health and benefits amounts. Transfer these figures to the Clergy Compensation Form on the corresponding lines. Enter zeros if a zero is shown. If a Charge is involved, there will be amounts for each church on the charge AND for the total charge. For Dual Appointments there are separate amounts listed for different churches and if a charge is part of a Dual Appointment for the Charge.

- a. Enter the Total Compensation at the bottom of 2022 Compensation Form, Page 1 on the bottom line **TOTAL PENSION AND LIFE/DISABILITY PLANS.**
- b. Enter the amounts listed on the next seven lines on Lines 8, 9, 10, 11, 12, 13 and 14 of the Compensation Form.
- c. Enter the Total IV of lines 13 and 14 at the bottom of Section IV on the Compensation Form.

**11. The Grand Total - Base Compensation, Utilities/Housing, Expenses & Benefits** is calculated by adding the totals from the top of Section I, and the bottoms of Sections II, III and IV. List that amount on the Clergy Compensation Form.

12. List any and all Grants the church/entity will receive to pay any portions of the compensation/benefits on the form. This includes salary support from Congregational Transformation and New Church Development.

13. The Clergy Compensation Form must be signed and dated on both pages. Other Special Situations

14. There are a few Special Situations regarding:

- A. Clergy who waive pension;
- B. Retired Clergy serving churches/extension ministries;
- C. Clergy who are currently on the Conference Health Plan, who have a  $\frac{3}{4}$  increment and whose church/charge/extension ministry wishes to pay the premium for this coverage;
- D. Dual appointments where increment adds up to more than full time (or 100%).

A. **Clergy WHO WAIVE PENSION** (lines 8, 9, and 11) (NOTE – a person cannot waive the welfare plan costs, which are lines 10 and 12; thus, even with a waiver, there will be a cost to the church for Line 10 (CPP) for all FT and  $\frac{3}{4}$  time clergy and on Line 12 (UNUM) for all  $\frac{1}{2}$  time clergy)

- a. If a clergy person has or wants to waive pension benefits for 2022 there **MUST** be a signed and notarized waiver for the type of pension involved on file with the Benefits Office of the Conference before pension can be waived. To verify that a form is on file for the type of pension involved, contact the Conference Benefits Office. If a clergy person has waived

one type of pension and because of an increment change is now eligible for a different type of pension, then a waiver for the new type of pension eligibility **MUST** be executed.

- b. If a proper waiver form is not on file, contact Theresa Stevens at the Conference Benefits Office (225-346-1646, ext. 204; [benefits@la-umc.org](mailto:benefits@la-umc.org)) regarding the proper waiver document to execute, which must be done (with notarization) **before** the Clergy Compensation Form is finalized.
- c. Even if properly waived, the Benefits Calculator must still be done, printed and attached to the Clergy Compensation Form because other information from the Benefits Calculator sheet will be entered on the Compensation Form. If pension is **properly waived** enter 0.00 on the Compensation Form for pension (lines 8, 9 and 11) regardless of what the Benefits Calculator shows.

**B. Retired Clergy serving the Local Church or Extension Ministry**

- a. Run the Benefits Calculator and attach the sheet because some of the figures must be used from the sheet even if certain benefits are not applicable. After working through sections b, c, and d below, you must manually add lines 8-12 to get line 13-Total for Section IV, and manually add Totals I, II, III and IV to get the Grand Total Base Compensation. You **CANNOT** use the dollar amounts on the Benefits calculator sheet for these items on the Compensation Form. If a clergyperson is serving the local church in a retired relationship, then he/she is not entitled to pension contributions or to a welfare plan contribution. However, the Benefits Calculator must still be done, printed and attached to the Compensation Form because some of the information from the Benefits Calculator sheet will be entered on the form. Enter 0.00 on the Clergy Compensation Form for any type of pension (lines 8, 9, and 11) or life/disability plans (lines 10 and 12).
- b. **If a clergyperson is serving a local church in a retired relationship and the increment is FT, then the health insurance premium calculated by the Benefits Calculator must be entered on the Clergy Compensation Form as shown on the Benefits Calculator Sheet and must be paid by the church/charge/entity.**
- c. If a clergyperson is serving a local church in a retired relationship and the increment is  $\frac{1}{4}$ ,  $\frac{1}{2}$ , or  $\frac{3}{4}$ , the church is not required to pay premiums for the clergy person.
- d. If there are questions, contact Theresa Stevens in the Conference Benefits Office (225-346-1646, ext. 204; [benefits@la-umc.org](mailto:benefits@la-umc.org)).

- C. **Increment is  $\frac{3}{4}$  time**, the clergyperson is presently on the Conference Health Plan, the clergy person wants to remain on the Conference Health Plan (or wishes to enroll) and the church elects to pay the Health Plan expense (e.g., a clergy person drops from Full Time status to  $\frac{3}{4}$  time status)
- a. The Benefits Calculator Sheet will indicate no Health Plan expense due. Write on the Benefits Calculation sheet that the coverage of the clergyperson will receive health benefits. The church must be willing to cover this expense, and enter \$16,380 on line 14 of the Clergy Compensation Form.
  - b. This change must be approved by all signing parties (indicated by initialing) to the Clergy Compensation Form.
- D. **Dual Appointment Increments** - The increments for Dual Appointments may add up to more than 1 (or 100%). If this occurs, contact your District Office for further instructions.

Please send any suggestions for further refinement/improvement in our process and forms to Sandy O'Brien at the Conference, [sobrien@la-umc.org](mailto:sobrien@la-umc.org).