

INSTRUCTIONS FOR CLERGY COMPENSATION FOR 2016

READ THIS ENTIRE DOCUMENT BEFORE BEGINNING SETTING OF COMPENSATION AND COMPLETION OF THE FORM

The form used for documenting what is adopted at Charge Conference as the Clergy Compensation is very different this year. To make things easier, we have “built” a Benefits Calculator that will calculate the increment and the benefit (health insurance and pension) expenses. Although these instructions may look daunting, it is really a simple process of entering a few numbers into the calculator and then transferring information to the Compensation Form.

Please note the following in completing the form:

1. If you are using the Word document and typing on a computer you should tab between the gray box fields or click on each gray box field. If you hit enter after completing a Gray Box Field it may move lines around in the document.
2. Laity serving a Local Church are not entitled to benefits.
3. **There is no longer any Section IV “income.” If amounts were previously paid under Section IV, these amounts must be either moved to an Accountable Reimbursable Plan under Section III or included in Base Salary.** If you have questions, contact Jan Curwick in the Conference Office (225-346-1646; jancurwick@la-umc.org)
4. A compensation form must be completed for each church and, if the church is part of a charge, then a combined form for the Charge must be completed.
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)
6. **Section I** involves Base Compensation.
 - a. List the total for Base Compensation **at the top**. You will then list items that are to be deducted from this Total in order to come to a net figure that the church pays the Clergy.
 - b. Section I.2 involves tax-deferred contributions. There are separate lines for the personal pre-tax UMPIP Contribution and other IRS section 403b plans
 - c. Section I.1.c and Section I.2.a involve the Personal UMPIP contribution.

In order for a clergy person entitled to CRSP DC contributions to receive the full 3% into their personal account, the clergy person **MUST** make a minimum personal UMPIP contribution of 1% of Total Plan Compensation (found in Section IV on Page 2) . To calculate and indicate the clergy person wants to make the 1% minimum personal UMPIP contribution needed to receive full pension credit:

- i. Complete the rest of the Sections on the form first, including the amounts found on the Benefits Calculator Sheet (see below on using the calculator).
- ii. Multiply .01 by the Total Plan Compensation (found in Section IV on Page 2). This is the minimum personal UMPIP contribution required to receive full pension credit.
- iii. Enter the amount of the personal UMPIP Contribution on the line for either Section I.1.c (for post-tax; that is you want to pay taxes now on this amount) or Section I.2.a. (for pre-tax; that is you want to have this contribution be tax free at present and you will pay taxes later upon withdrawal).

- iv. The benefits office will contact the pastor directly if additional paperwork is needed because of elections made.

FOR CHURCHES ON A CHARGE, use the charge form amount for Total Plan Compensation. The number you calculate for the 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.

- d. Section I.3 involves salary reduction agreements. There are separate lines for HSA deductions (these are employee contributions, not the \$100 per month that the employer contributes with the Health Plan expense) and other cafeteria plan deductions.
 - e. This year there is a line 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% of Base Salary. The money withheld is remitted to the Conference office on line 5030 of the Apportionment Remittance Form.
 - f. You can only calculate the Net Paid to Clergy after you have completed the other Sections and enter the amount for any personal UMPIP contribution.
7. **Section II** involves housing expenses and housing exclusions.
- a. A lay person serving in a local church **CANNOT** have Section II income.
8. At the bottom of Page 1, **Total Compensation** is found on the Benefits Calculator Sheet (see below on using the calculator)
9. **Section III** can only be used for Travel and Professional Expenses that are paid pursuant to an Accountable 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. On the Conference Web-site under the Finance Section there are plans available. 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 Plan and must be received prior to any payment. If you have questions, contact Jan Curwick in the Conference Office (225-346-1646; jancurwick@la-umc.org)
10. **Section IV** is now Benefits Paid for the Clergy.

Use the Benefits Calculator to complete the information needed for any Charge Form and for Section IV. It will calculate all numbers needed for the Charge Form and benefits for all entities (health insurance and/or pension). If a clergy person wishes to waive pension you still run the benefits calculator. Then see Special Situation 1 below.

- i. The **Benefits Calculator** is found on the front page of the Conference web-site (<http://www.la-umc.org>).

1. **IMPORTANT** – Once you have entered information and the calculator has calculated the values **PRINT OUT THE FORM. It must be attached to the Compensation Form.**

- 2. 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 only one appointment to a charge consisting of one to four 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.

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

4. The church id number is found on the church's apportionment bill or can be found by contacting your district office.
5. Entering Total I – this is the amount at the top of Section I (Total Base Compensation).
6. Entering Total II – this is the amount at the bottom of Section II (Total Housing). If there is nothing in Total II enter 0.
7. For a Single Charge situation, there are boxes shown for Total 1 and Total 2 for 2 churches; however, if you enter a third or fourth church name, a box to enter Total I and Total 2 for these churches will appear.
8. The Calculator will “do its thing” and list the rest of the amounts. 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 Page 1 of the Compensation Form.
 - b. Enter the Total Plan Compensation in Section IV of the Compensation Form.
 - c. Enter the amounts listed on the next six lines on Lines 14, line 15, Line 16 and Line 17, Line 18 and Line 20 of the Compensation Form.
 - d. Enter the Total IV 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 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 new Church Starts/Revitalization and District Funds.

13. The form must be signed and dated on **both** pages.

There are a few **Special Situations** regarding (1) Clergy who waive pension; (2) Retired Clergy serving churches/extension ministries (3) Charge wants to divide the Health Insurance on a basis different than according to % of total compensation; and (4) 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.

1. Clergy who waive pension

- a. If a clergy person has or wants to waive pension benefits for 2016 there **MUST** be a signed and notarized waiver 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 your district 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; benefits@la-umc.org) regarding the proper waiver document to execute, which must be done (with notarization) before the compensation form is finalized.
- c. Even if properly waived, the Benefits Calculator must still be run, printed and attached to the Compensation Form because some of the information from the Benefits Calculator sheet will be entered on the Compensation Form. Regardless of what the Benefits Calculator shows, if pension is properly waived, **enter 0.00 on the Compensation Form for pension (lines 15, 16, 17, 18 and 20).**

2. Retired Clergy serving the Local Church or Extension Ministry

- a. If a clergyperson is serving the local church in a retired relationship, then he/she is not entitled to pension contributions. However, The Benefits Calculator must still be run, 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 Compensation Form for any type of pension (lines 15, 16, 17, 18 and 20).**
- 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 Compensation Form as shown on the Benefits Calculator Sheet and must be paid by the church/charge/entity. The clergyperson must be on the active plan of health insurance (this is a Medicare Rule, not a conference rule).
 - i. If a clergyperson is serving a local church in a retired relationship and the increment is $\frac{1}{4}$, $\frac{1}{2}$, or $\frac{3}{4}$, AND
 1. The church **does not** wish to pay the retired rate for the clergy person, then **enter 0.00 on line 14 of the Compensation Form.**
 2. The church wants to pay the retired rate for the clergy person, then note this by handwriting this fact on the Benefits Calculator Sheet and **enter \$3,180 for single rate or \$6,360 for clergy and spouse retired rate on line 14 of the Compensation Form.** These amounts are estimated and will be adjusted if the Conference Board of Pensions adopts different rates at their October meeting.
 3. If there are questions, contact Jan Curwick in the Conference Office (225-346-1646; jancurwick@la-umc.org)

3. Charge wants to divide the Health Plan expense on a basis different than % of total compensation.
 - a. In line with Conference stated goals that each church should be able to support the pastor it is assigned and no other churches should subsidize this amount, the Health Plan expense is divided between entities on a charge according to the % each entity has of the Total Compensation for the Charge.
 - b. Several charges have historically divided this differently. For one transition year, the churches on the charge can agree to divide the health plan costs in a different manner. This should be noted by handwriting on the Benefits Calculator Sheet the agreed upon way to divide the Health Plan expense and then entering the agreed upon amount on the individual church compensation forms. The total must be \$13,920.
4. Increment is $\frac{3}{4}$ time, the clergyperson is presently on the Conference Health Plan and the church wishes to pay the Health Plan expense
 - a. The Benefits Calculator Sheet will indicate no Health Plan expense due. Write on the Benefits Calculation sheet the coverage of the clergyperson, the desire of the church to cover this expense, and enter \$13,920 on line 14 of the Compensation Form.
5. Dual Appointment Increments
 - a. The increments for Dual Appointments may add up to more than 1. If this occurs, contact your District Office on what to do.

Please send any suggestions for further refinement/improvement in our process and forms to Rev. Jan Curwick at the Conference, jancurwick@la-umc.org.