

(Sample)  
**Arrearage Policy**

1. In the event that the local church treasurer becomes aware that the church will be unable to provide to the pastor full payment of a regularly scheduled payroll or housing allowance installment, or to remit to the Conference Treasurer full payment for regular direct billed benefit payments such as pension and health care, the church treasurer *shall* immediately notify both verbally (within 24 hours) and in writing (within 3 days) the Pastor, the Lay Leader, and the Chairs of S/PPRC, Finance, Trustees, and the Administrative/Church Council of the impending arrearage. Upon receipt of such notice, the Chair of S/PPRC and/or the Pastor shall immediately (within 3 days) notify the District Superintendent of the impending arrearage. It is the pastor's responsibility to keep copies of all such written notifications, and to provide additional written confirmation to the District Superintendent when an arrearage has taken place. Failure to document salary or benefit arrearages may result in a loss of compensation and/or forfeiture of pension and benefits.
2. Upon receipt of notice of a pending arrearage, the Chair of S/PPRC shall immediately (within 24 hours) call a meeting of the Pastor, Lay Leader, and Chairs of Finance, Trustees, and the Administrative/Church Council to discuss the financial situation and seek remedies to prevent an arrearage from occurring.

Such remedies might include:

- a. drawing from invested funds, including short-term borrowing from designated funds,
- b. an emergency appeal for special giving from the congregation,
- c. emergency grants or loans from the District or Conference.

According to *The Book of Discipline* ¶1624, such remedies cannot include a reduction in the Pastor's compensation until the beginning of the next Conference year.

3. If, after consultation among the Lay Leader and Chairs of S/PPRC, Finance, Trustees, and the Administrative/Church Council, it becomes apparent that the church may be facing a long term financial crisis, the Chair of S/PPRC shall notify in writing the Pastor and District Superintendent that:
  - a. an Equitable Compensation Subsidy Grant may be necessary to maintain compensation for the remainder of the Conference year, or
  - b. a change in pastoral compensation or appointment may be necessary at the beginning of the following Conference year.
4. If the local church becomes delinquent in the pastor's compensation (i.e. more than 30 days delinquent), then the District Superintendent shall notify the Commission on

Equitable Compensation, which on its own initiative may do any or all of the following, but not limited to:

- a. sending a representative from CEC to meet with the local church and pastor to seek resolution of the issue,
- b. developing with the local church a payment plan so that the pastor receives full payment of compensation by the end of the conference year.

The District Superintendent shall be invited to participate in this process.

5. If the local church is already receiving a subsidy grant from the Commission on Equitable Compensation, the Commission may also:
  - a. determine if all subsidy grant funds allocated to the church were used to pay the pastor's salary,
  - b. examine the original subsidy grant application to determine if the amount requested to meet minimum compensation was reduced,
  - c. require an outside audit of all church funds in compliance with GCFA Guidelines ([www.gcfa.org](http://www.gcfa.org)),
  - d. notify the District Superintendent of its findings and recommendations in writing.
6. If a local church becomes delinquent in the payment of the pastor's direct billed pension and benefits (i.e. more than 30 days delinquent), then the Conference Treasurer shall notify the Conference Benefits Officer, the District Superintendent, and the Commission on Equitable Compensation. On behalf of the Conference the Benefits Officer and/or District Superintendent shall develop a written payment plan with the local church so that the Conference receives full payment of pension and benefits by the end of the conference year.
7. Paragraph 2542.1 of *The Book of Discipline* makes clear that no real property on which a church building or parsonage is located shall be mortgaged to pay for the current or budgeted expenses of a local church (including arrearages), nor shall the principal proceeds of a sale of any such property be so used. This provision shall apply alike to unincorporated and incorporated local churches.
8. In extreme and unresolved circumstances, the local church and/or pastor may petition a session of the annual conference, following proper procedures, for assistance in payment of the arrearage not to exceed the minimum conference compensation standards. However, it is the responsibility of the local church to provide a minimum compensation for its appointed clergy (§1624).
9. It is the responsibility of the pastor to provide evidence of an arrearage by providing documentation such as: Treasurer's Reports, Charge Conference reports of adopted

salary and compensation, check stubs, W-2 forms, and a Certification of Payment Form (sample attached) signed by the Pastor, S/PRC Chair, Trustee Chair, Treasurer, and Administrative/Church Council Chair.

10. The statute of limitations for filing a claim for funds from the Annual Conference (i.e. notification to the District Superintendent of the arrearage) for any salary arrearage is one year from the date of the initial arrearage. Once an appointment ends the Pastor no longer has claim on the local church for compensation funds (§342.4).
11. An Administrative Complaint may be filed against a pastor who fails to report an arrearage according to the time lines established in this policy.