



Guidelines: A Resource for The Conference Commission on Equitable Compensation 2013-2016



Prepared by

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FOREWORD

Brothers and sisters in Christ, may grace and peace be yours in abundance. It is a pleasure once again for The National Association of Commissions on Equitable Compensation to offer this guidebook as a resource to be used by Annual Conference Commissions on Equitable Compensation in cooperation and consultation with the General Council on Finance and Administration.

In ¶625.1 of the *Discipline*, we find: “There shall be in each annual conference a commission on equitable compensation or other structure to provide for these functions and maintain the connectional relationships.” In its responsibility of recommending conference standards of pastoral support, the Commission on Equitable Compensation will need to be concerned that policies, procedures, and incentives are established which will insure that each pastor of an Annual Conference will receive a fair and just compensation for his/her full-time professional services and devotions to the Lord.

This manual is published in order to provide information, ideas, and guidelines in the fulfillment of those tasks assigned to the Commission. The National Association of Commissions on Equitable Compensation has been in existence since February of 1974, and is provided guidance and consultation by the General Council of Finance and Administration (¶807.20).

The National Association of Commissions on Equitable Compensation expresses its deep gratitude and appreciation to you as a part of our connected church, and to the staff on the General Council on Finance and Administration for their assistance and support in the ongoing work of the Association.

Rev. Laurel Scott, President
National Association of Commissions on
Equitable Compensation
September, 2012

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All *Discipline* quotations in this manual are from the *2012 Book of Discipline* unless otherwise noted.

OUR SPECIALIZED LANGUAGE

Our language often has technical meanings which can result in poor communication. This is made even more complex since over the quadrennia the language of *The Book of Discipline* has changed, and so newer meanings overlay older ones. In addition, regional traditions in emphasis and language create communication barriers which often require extra efforts. Finally, Internal Revenue Service (IRS) regulations require technical meanings. It is important for us to have a precise language so that we are not constantly clarifying and reviewing old understandings.

The Book of Discipline

The enabling legislation for the Commission on Equitable Compensation is found within the larger section titled “Pastoral Support” (¶¶620-628). The 1992 General Conference revised the language in this section of *The Book of Discipline* by consistently changing references to clergy “salary(ies)” to either “base compensation” or, where the context suggested that the reference was to a broader support package, “compensation.”

The following definitions are provided to give a common understanding of these and other major terms contained in this manual.

THEOLOGICAL FOUNDATION

God calls persons to ministry to go into the entire world, preaching, teaching, and baptizing (Matthew 28:19), for without them the world would not have heard Christ preached (Romans 10:14). These are called to be stewards of the mysteries of God (I Corinthians 4:1). The Church sets some persons aside for the role of clergy and ordains these persons to the work of pastoral ministry to be servants of the servants of God.

Pastors answer affirmatively the question of John Wesley (¶336), “Are you determined to employ all your time in the work of God?” For such a called, set apart and committed clergy, the Church assumes an obligation to plan adequate support (¶620).

The Book of Discipline is clear that “the primary responsibility for payment of pastoral salaries remains with individual pastoral charges” (¶625.5; see also ¶247.13). The United Methodist Church, through each Annual Conference, provides a program by which to seek equity in pastoral support through the Commission on Equitable Compensation and the counsel and supplements which it offers.

THEOLOGICAL FOUNDATION

Why should the Commission on Equitable Compensation be so concerned about equity in clergy compensation?

1. Jesus says, “the laborer is worthy of his hire”, (Luke 10:7) and Paul reminds us “you shall not muzzle the ox when it is treading out the grain” (I Timothy 5:18; Deuteronomy 25:4).

2. Wesley was concerned that clergy have a responsibility not to be “in debt so as to embarrass you in your work” (¶336), which implies the church, has a responsibility that it neither lead its clergy into positions of embarrassing indebtedness, nor leave them there. The emphasis on equity between believers is affirmed in Acts 2:44 - 45 (NRSV) “All who believed were together and had all things in common; they would sell their possessions and goods and distribute the proceeds to all, as any had need.”

3. The great commission to go into all the world, preaching, teaching, and baptizing brings with it a cost. Systems of clergy support which foster the use of the right pastor in the right place, hold up the hope of seeing the great commission bear its promised fruit.

4. The Commission on Equitable Compensation embraces the great commandment to love our neighbors as we love ourselves by wanting for each pastor what our members want for themselves – compensation adequate to free persons for the work of pastoral ministry.

PASTORAL SUPPORT: The total package of compensation (including benefits), expense reimbursements, and expense allowances paid to or for a pastor to enable and support his or her ministry.

COMPENSATION: That portion of a total clergy support “package” which would be considered as compensating a pastor for pastoral service. Compensation may include, in addition to cash compensation paid directly to the pastor, contributions to both tax-paid and tax-deferred retirement plans, payments to cover or assist the pastor with the personal share of Social Security taxes, and a variety of other benefits and allowances (such as utilities and other housing-related allowances). Care should be taken to assure that a pastor's compensation does not drop below the amount required to maintain eligibility for Comprehensive Protection Plan coverage. Consult with your Annual Conference pension and insurance officer for details.

Compensation, however, would not include accountable reimbursement plans that simply reimburse accountable expenses incurred in the performance of pastoral service, such as travel expenses. Note that 1995 court rulings determined that United Methodist clergy are employees for income tax purposes. The salary paying unit must provide a yearly W-2 tax form. Clergy remain self employed for purposes of social security.

BASE COMPENSATION: That portion of a pastor's compensation which is paid directly to the pastor as cash compensation, contributions authorized by the pastor to either a tax-paid pension program or a tax-deferred program (such as a 403(b) plan), payments to assist the pastor with the personal share of Social Security taxes, and some other kinds of cash compensation, such as bonuses, payments to private investment programs, and the like.

Base compensation would not include other items included in total compensation, such as utilities and other housing-related allowances, accountable reimbursements for professional expenses (such as continuing education, books, and the like), and the cost of benefits such as life or health insurance.

EQUITABLE COMPENSATION: The term used in ¶1625 to describe both (1) the Annual Conference fund used to supplement support for those pastors whose base compensation falls below a minimum level established by the conference, and (2) the Commission whose task is to help the conference define and promote levels of support which will be "equitable" for the pastors in the conference.

Each word in the phrase deserves attention. Compensation has already been defined. Equitable means fair. Fairness is a complex matter that involves the values of each Annual Conference.

In the section headed "Additional Terms" and in the section entitled "Scope," you will be introduced to some of the typical issues which most commissions will

ADDITIONAL RESOURCES

The National Association of Commissions on Equitable Compensation (NACEC) in cooperation with the General Council on Finance and Administration (GCFA) offer the following resources:

- www.gcfa.org/nacec.html is the website for NACEC and is hosted by GCFA.
- A Summary of Equitable Compensation Plans is compiled by GCFA each year encompassing all U.S. Annual Conferences. The summary is available on the NACEC website and distributed to the annual conference treasurers and the chairpersons of Commission on Equitable Compensation. It is a valuable source of comparative information.
- Resource materials are gathered at the quadrennial consultations from the participating annual conferences. Copies of these materials are on file with the Equitable Compensation Desk at GCFA.

These include:

- Guidelines for Equitable Compensation Program, Supplemental Base Compensation Program, & Other Pastoral Support
- Applications for the various programs administered by the Commissions on Equitable Compensation
- Brochures and pamphlets illustrating a variety of approaches toward encouraging equitable pastoral compensation.
- Guidelines for the Conference Commission on Equitable Compensation are printed and distributed to key annual conference leaders in mailings and at training events. More copies are available on request or you can download the PDF version from the website.

ADDITIONAL RESOURCES

Currently two training events are held each quadrennium:

- GCFA sponsors a Quadrennial Training for chairpersons of Commissions on Equitable Compensation during the program year following General Conference.
- NACEC sponsors a Quadrennial Consultation for all members of the Commissions on Equitable Compensation, Annual Conference Treasurers, and District Superintendents functioning as part of the Commission half-way through each quadrennium.

Members of the Executive Committee of the National Association of Commissions on Equitable Compensation are available for consultation with annual conference commissions.

Requests for any of these resources or other assistance related to pastoral equitable compensation can be directed to:

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address when they consider what is fair. The purpose of the Commission on Equitable Compensation is to seek fairness both for pastors and for churches, since its mandate is “to support full-time clergy serving as pastors in the charges of the Annual Conference.” (§1625.2)

COMMISSION ON EQUITABLE

COMPENSATION: The Annual Conference body charged with the responsibility of developing and administering the program of equitable compensation as described in §1625. The 1996 General Conference passed permissive language which allows an Annual Conference to adopt another structure to provide for these functions and maintain connectional relationships.

MINIMUM BASE COMPENSATION: The amount of base compensation which *The Book of Discipline* requires each Annual Conference to set as the minimum for pastors appointed to charges of the Annual Conference.

Equitable compensation programs, at the discretion of the Annual Conference, may broaden the scope of a conference's requirements to include elements of pastoral support beyond what has historically been called “salary.” *The Book of Discipline* is prescriptive rather than

restrictive. The programs may also provide grants for pastors to levels above the established minimums based on prescribed guidelines.

SCHEDULE OF MINIMUM BASE COMPENSATION: The schedule, adopted by the conference on recommendation of the Commission on Equitable Compensation, which sets the minimum levels of compensation for pastors appointed to charges. When a deacon's primary field of service is within a local congregation, charge, or cooperative parish, the deacon shall not receive less than the minimum established by the equitable compensation policy of the Annual Conference for full-time and part-time pastors.

This schedule may vary the base compensation for pastors according to any number of criteria such as years of service, size of parish, or educational credentials. Although not required by The *Book of Discipline*, in the interests of equity it may include all aspects of clergy support.

BASE COMPENSATION SUPPLEMENTS: Grants of two basic types administered by the Commission on Equitable Compensation:

1. Supplements to achieve the equitable base compensation level. (This includes consideration of making funds available under ¶625.4 for the deacon in full connection.)
2. Missional supplements given to enable strategic ministry where either or both the skills of the pastor and the demands of the situation indicate special need. Examples are: new church development, cooperative parish leadership, inner city ministry, rural ministry, or other specialized ministry. (¶625.6)

Additional Terms

BENEFITS: Indirect or non cash compensation for the benefit of the clergyperson. It is advisable to check with the most recent IRS publications regarding the taxability of these items.

- A listing of benefits includes: medical/dental insurance, group term life insurance, employee discounts, free parking, company cars, meals, education, lawyer fees (if prepaid), day care, club memberships.

PROFESSIONAL EXPENSES: Expenses directly related to work as a clergyperson. Common professional expenses are:

- Automobile Expenses
- Travel
- Professional Entertainment
- Office Supplies (including computer equipment & software)
- Communication Devices (such as personal digital assistant, cell phone, smart phone, etc.)
- Books and Magazines
- Dues and memberships
- Gifts (business related)
- Continuing Education
- Professional Liability Insurance
- Moving expenses
- Expense related to attendance at the annual conference sessions

DID YOU KNOW?
A valuable resource for housing, professional reimbursement, and clergy tax issues can be found at www.gcfa.org.

Often, an annual conference defines professional expenses as a part of the support plan. The support plan may define:

- If the payment must be done through an accountable reimbursement or an allowance
- A minimum amount of expenses to be paid through the plan
- The mileage rate for automobile expenses (often set as the IRS standard mileage rate for business)

ALLOWANCES: Amounts paid in advance to clergypersons for professional/business related expenses. If allowances are not made pursuant to an “accountable plan,” as defined by IRS rules, such allowances are taxable.

REIMBURSEMENT: Amounts paid to clergypersons who have used their own funds for professional/business related expenses. If reimbursements are not made pursuant to an “accountable plan,” as defined by IRS rules, such reimbursements are taxable. It should be noted that reimbursements may not be funded through salary reduction or restructuring.

HOUSING ALLOWANCE: The portion of a clergyperson’s cash compensation designated by the church for housing-related expenses. Pursuant to Internal Revenue Code Section (IRC) 107, some or all of the housing allowance may be excludible from gross income for income tax purposes. (Under IRC 107, the rental value of a parsonage furnished to a clergyperson is excluded from gross income for income tax purposes.)

TOTAL COMPENSATION: The amount that is given to a pastor through cash salary, benefits, taxable allowances, and non taxable allowances, such as housing.

TOTAL SUPPORT: The total compensation plus all professional expenses which may be given in the form of allowances or reimbursements.

SCOPE

Administrative Responsibilities

The commission has administrative responsibilities. These responsibilities include the development of a schedule of minimum base compensation. This schedule determines the minimum amount a pastor is eligible to receive in base compensation. When the schedule has been adopted by the conference, the commission is responsible for administering the funds used as base compensation supplements.

Each pastor who is appointed full time must receive support at least equal to the Minimum Base Compensation Schedule. Each conference member who is appointed less than full-time to a pastoral charge must receive support at least in proportion to that schedule (see ¶342.2). Amounts and guidelines shall be recommended by the Annual Conference Commission on Equitable Compensation, and set by vote of the Annual Conference.

In the development of a base compensation support system, the program will also include:

1. Housing

- Ensure that Conference Housing Standards are established.
- Prepare written guidelines for the comparison of housing allowances and parsonage benefits.
- Set a policy regarding a housing allowance.

2. Professional reimbursements.

3. Other Allowances.

4. Benefits.

SCOPE – An Overview

There are three broad areas of responsibility as outlined in ¶625.2. These are: “(a) recommending conference standards for pastoral support; (b) administering funds to be used in base compensation supplementation; and (c) providing counsel and advisory material on pastoral support to district superintendents and committees on pastor parish relations.” *The Book of Discipline* requires that these apply to full-time clergy “serving as pastors in the charges of the annual conference” (¶625.2). The Annual Conference may also apply the standards and salary supplementation funds to others serving as pastors.

JUDICIAL DECISIONS

Electronic formats and hardbound copies are also published by The United Methodist Publishing House and available through Cokesbury.

Many judicial decisions made between 1948 and 2009 have implications for the work of the Commissions on Equitable Compensation. The full text of each ruling is made available at:

http://archives.umc.org/interior_judicial.asp?mid=263. (at the time of publication of these guidelines). If the page has moved, go to www.umc.org and search for the Judicial Council. You can access the decisions directly by number or you can perform a keyword search. Good keywords to use are: compensation, housing, equitable, benefits, salary, salaries, health care, ministerial support, pension, parsonage, clergy couple, travel expense, and lien.

Judicial Council Decisions are not updated to correspond to later changes in *The Book of Discipline*, nor to reflect change in pertinent state or federal law, unless the process for reconsideration of a decision has occurred at some later date. As a result, you may find it helpful to start with the current *Book of Discipline* and consult the Judicial Council decisions that are footnoted for further understanding.

5. Set Conference recommendations on travel reimbursement levels.

The scope may often become much broader and involve these following issues:

1. Clergy Couple Compensation:

Each individual clergyperson is entitled to the base compensation, allowances, reimbursements, and benefits due an individual without regard to the spouse's employment. Equity requires that each individual clergyperson is entitled to a housing allowance or parsonage.

2. A base compensation schedule for pastors other than the conference members who are appointed to local churches less than full time.
3. Continuing education and educational leave standards and recommendations.
4. Insurance such as medical/dental and life, including family coverage and coverage for persons in less than full-time appointments.
5. Vacation leave and time off for illness, and maternity or paternity leave.
6. Pulpit Supply: Costs related to pulpit supply are the responsibility of the church.
7. Moving Expense: An Annual Conference policy to cover reasonable costs.

8. Annual Conference Expense: A policy recommending that clergy members attending Annual Conference sessions be reimbursed for their expenses.
9. Office Expense: The policy should be clear that it is the responsibility of the charge to furnish needed office supplies and equipment.

Context

The existence of different pastoral support levels within the clergy of an Annual Conference is not an unusual occurrence in the United Methodist system. Individuals perform at different levels; and compensation systems are designed and administered to reflect this reality. By design there are differences in compensation for a job with the same scope of responsibilities based on a set of criteria. Also in a conventional system there is a structured process that measures performance to a set of criteria and then compensates persons based on their performance.

In secular compensation systems, factors that influence compensation include the following variables:

- Job Performance
- Education
- Time-in-grade
- Locations that are influenced by “Cost of Living”
- Locations that are perceived as being less desirable locations.

In the United Methodist Church, there are other non-structured variables in the compensation system. The United Methodist compensation process includes the following:

- Base Salary
- Fringe benefits and reimbursements
- Housing
- The appointment process
- Reporting variables
- The pastor’s family situation

These are the identified factors that influence compensation for clergy in The United Methodist Church. The United Methodist denomination has merged secular standards and an organizational infrastructure with a system based on the call of Christ and has arrived at a model that attempts to compensate our pastors based on many variables. Each of these items is now examined in more detail to gain perspective.

JOB PERFORMANCE: The *Discipline* mandates (§334.2) that each clergy person be evaluated for performance. Thus, not only is competency considered; but continuous improvement is also encouraged. This maintains the standard of excellence that is expected of United Methodist clergy. And, if a clergyperson performs better in the position, higher compensation is normally anticipated and expected.

EDUCATION: Each clergy person has a different life journey that sometimes takes him or her deep into the realm of academia. Some pastors seek more continuing education and advanced degrees than others. That education should mean higher qualifications. Hence, an allowance for higher levels of education should be a factor in determining compensation for clergy.

TIME-IN-GRADE: With experience, the clergy person normally would become more effective in performing the duties of pastor. This improved effectiveness should translate into higher compensation for the clergy.

RELATED EXPERIENCE/PORTABLE SKILLS: As the number of second career pastors increases, consideration may be given to the skills and experience that pastors bring with them from other professions that increase the efficiency and effectiveness of the church as a whole, and the local congregation in particular.

The above four factors are associated with individual performance. Reality suggests that performance should and does enter into the equation when compensation is being discussed.

COST OF LIVING: Some locations within a Conference will have significantly different cost of living factors. For those locations, pastors may reasonably expect and receive different pay from others in the Conference. This may translate to higher pay for higher cost of living areas, or lower pay for locations with lower cost of living expenses.

LESS DESIRABLE LOCATIONS: Some areas of the conference have a harder time attracting clergy than others. For example, inner city areas or extreme rural areas may be unable to attract clergy. These areas may be outside the comfort zone of an individual clergy person. For areas such as these, an incentive may be in order for encouraging clergy to move to these areas so that a level of excellence is maintained throughout the Conference.

The structure of The United Methodist Church considers pastoral support to include not only base salary, but also housing, professional expense reimbursement, and health insurance. Taken together, they represent a sizeable portion of the local church budget. They also represent the most important aspects of how a church supports the pastor. The next three items discuss the clergy benefits package.

BASE SALARY: The minimum base salary is normally structured to reflect professional status and years of experience. The minimum base salary is a requirement of the *Discipline*.

The variance in base salary begins at the local congregation level. In the absence of a structured compensation system, the basis for the decision by Staff-Parish Relation Committee (SPRC) is influenced by a number of variables. One of them is the “perceived worth” of the clergy. Is the clergy meeting their needs? Other factors include the amount of advocacy done by the clergy, the dollar resources available in the congregation to support the clergy and other paid staff costs, and the District Superintendent. The District Superintendent has considerable leverage on the local congregation especially in a new appointment situation. When faced with the decision, it is the District Superintendent’s responsibility to tell the local SPRC that in order for them to have a particular clergyperson they must increase the salary.

COST OF FRINGE BENEFITS AND REIMBURSABLE EXPENSES: This category includes the cost of health insurance, travel, continuing education, and professional expenses. Health insurance accounts for a large part of the local church budget and has more of an impact on the minimum salary churches’ budgets. Additionally, this gap has further widened as clergy has become responsible for payment of a portion of the Health insurance premium. Some congregations have increased the base salary or reimbursements to their pastor to “make-up” for this increase. Unfortunately, this means, for example, that there are churches that do not fully reimburse for travel expenses of the pastor. In such cases, when the “budgeted amount” runs out the pastor is expected to pick up the remainder of the expense.

HOUSING COSTS: These costs are an unknown variable on the congregation’s ability to pay clergy. If the local church owns a parsonage, the impact on the budget is for maintenance and utilities. To manage those costs, a church can and will defer maintenance until it is an absolute must, thus freeing monies to pay for other costs. For the congregation without a parsonage, or for clergy that have their own housing, an allowance must be provided to cover housing needs (Housing Allowance). In these situations the impact on the budget is more certain. However, this allowance cannot be deferred like the maintenance on the church owned parsonage is deferred. After careful study, the commission may want to recommend a minimum housing allowance to the annual conference.

THE SCOPE – In SUMMARY:

In summary, many variables influence the pastor compensation package offered by the local church. The variables that each Equitable Compensation Commission (and Annual Conference) identifies and considers are all dependent upon the ability and desire of the congregation to pay them at some level. The appointment process and the role that a district superintendent plays in the process is another influence on these variables. During the appointment process the District Superintendent can be the biggest advocate for the clergy and this support can result in an increase, large or small, and the establishment of amounts for travel, housing and other subsidies. In addition, the skills of the pastors play a role in the resulting compensation.

It is the responsibility of each Equitable Compensation Commission to be fully cognizant of all the factors influencing the compensation package for each church-pastor combination requesting Equitable Compensation support.

The Equitable Compensation Commission has a responsibility to act equitably for both pastors and churches simultaneously.

The following items represent unique attributes of the United Methodist connectional system. These are items that have an influence on the pastoral appointment availability, and the knowledge base of how much the churches are paying.

AVAILABLE APPOINTMENTS: There is an obvious economic limitation of some congregations to pay clergy more than the minimum. Thus the opportunities for advancement into higher salary levels of appointments are very limited. In contrast, the number of appointments at or below the minimum salary level can be quite numerable in an Annual Conference. How does this variability in “available” salaries impact the options for the Cabinet during the appointment making process? How often is it that a pastor who receives \$50,000 one year is sent to a charge that pays the minimum because her/his gifts and graces are needed there? In the United Methodist Church, there is an expectation of

itinerancy and pastors have taken a vow to honor this expectation.

REPORTING VARIABLES: This variable relates to the accuracy and consistency of the data supplied by local churches in their annual statistical reports. These variables raise the concern about the accuracy of how expenditures are reported and can lead to inaccurate conclusions about base compensation when the data is examined. For example, there may be situations where clergy are claiming a portion of their base cash salary as a housing allowance in the statistical reports. This can substantially reduce the reported base cash salary. In addition this leads to a conclusion that they are receiving less than minimum cash salary.

Finally, the following is an ever-present consideration for any pastor when taking an appointment.

FAMILY SITUATIONS: In many cases, Pastors in The United Methodist Church, have families, spouses and dependents. Unlike priests in The Roman Catholic Church, these pastors have responsibilities beyond themselves. They may have school costs and other costs that are multiplied by the number of family members or dependents. Hence, pastors have all of the pressures and responsibilities of the laity in this regard. This can cause clergy to be as sensitive to issues of compensation as they are to their calling to Christ.

ORGANIZING AND PLANNING

Assuming Leadership

The newly elected officers of the Commission will see that questions already exist that require immediate answers. Enriching the background of the leadership team will enable them to address this task appropriately. Encourage the Conference Nominating Committee to provide continuity through a “class structure” to make sure that personnel experienced in administering the equitable compensation plan are available for future leadership.

Here are some suggestions for beginning.

1. Start by talking with the immediate past officers and reading the minutes, files, records of grants, and guidelines.
2. Read and study *The Book of Discipline*. The primary paragraph for this Commission's responsibility is 625. Related paragraphs to the work of the Commission are: 247.13, .19; 252.4d, e; 258.2.g(3), (5), (8), and(16); 318.1, .2, 331.10b, d; 339; 342; 351; 354; 355; 357.4; 359.6; 586.4f; 614.1e; 620-628; and 807.9, .20. It is your responsibility to be totally familiar with all the specific and related paragraphs.

THE BOOK OF DISCIPLINE ¶

625.1

There shall be in each Annual Conference a Commission on Equitable Compensation or other structure to provide for these functions and maintain the connectational relationships. It shall be composed of an equal number of lay and clergy persons, including at least one layperson and one clergyperson from churches of fewer than two hundred members, who are nominated by the conference nominating committee and elected by and amenable to the annual conference. It is recommended that in selection of commission members, consideration shall be given to inclusiveness. In addition, one district superintendent named by the cabinet shall be a member”.

3. Read and study your Annual Conference Journal and, in particular, the current guidelines and standing rules established by your Annual Conference.
4. Consult with your Conference Treasurer regarding current funding and past practices and inquire about the Commission's budget and the budget making process.
5. Request a meeting with the Bishop to share goals, visions, problems, and issues related to the Commission's program of pastoral support.
6. Request a meeting with the Cabinet to discuss mutual problems, opportunities, purposes, and issues.
7. Request a meeting with the Council on Finance and Administration, to discuss the appropriate funding of this vital ministry.
8. Meet with members of your Commission for an extended time of community and team building; training; sharing of past problems and future hopes; updating on current projects; developing a sense of the direction for the Commission; establishing goals; and preparing a schedule for the year's work within a quadrennial cycle. The next section gives some suggestions for a yearly and quadrennial cycle of activity.
9. Attend training and informational sharing meetings for leaders of Commissions on Equitable Compensation. In each quadrennium there will be a workshop following General Conference. The National Association of Commissions on Equitable Compensation also offers at least once each quadrennium a Consultation for sharing, training, and preparing legislative proposals. These opportunities are designed to inform and assist you.

A Yearly Administrative Cycle

Annual Conferences and Commissions on Equitable Compensation will develop their own ways to fulfill the responsibilities stated in *The Book of Discipline*. There are, however, yearly predictable deadlines and responsibilities to which you may add your own patterns to direct your work. Listed below are events on a typical calendar that you will need to observe in making your schedule and assigning agenda items. When you list the appropriate dates, your administrative cycle will become clear.

DATES

- _____ 1. Annual Conference.
- _____ 2. Budget request due for Council on Finance and Administration.
- _____ 3. Yearly recommendation for equitable base compensation schedule due.
- _____ 4. Meeting to approve requests.
- _____ 5. Report to Annual Conference due.
- _____ 6. Legislative proposals to Annual Conference due.
- _____ 7. Distribution of advisory and informational material sent to churches, including base compensation level, any other data which affects pastoral support, and resources for guidance in setting equitable support packages.
- _____ 8. Distribution of base compensation supplement grant applications.
- _____ 9. Deadline for base compensation supplement grant applications.
- _____ 10. Consultation with the Cabinet regarding problems, proposals, and possibilities.
- _____ 11. Consultation with the Council on Finance and Administration regarding equitable compensation funding.
- _____ 12. Organizational meeting for the Commission which might include elections; training; community building; review and evaluation of past work; review of current projects; a planning process including collection of data and development of goals; and, assignment of members to various projects, subcommittees, or to visit or contact churches receiving aid.
- _____ 13. A meeting to take care of unplanned needs which may develop during the session of Annual Conference.

Building a Quadrennial Plan

Long range planning is essential if significant accomplishments are to be made. Many tasks take more than one or two years. Some repetitive tasks can be done on less than a yearly basis.

1. A major review of Conference Standing Rules which may impact your Equitable Compensation program.
2. A major review of your Commission's policies, guidelines, and programs.

THE QUADRENNIAL PLAN

Think of a four year period, and in the planning process set tasks for each year.

Here is a partial list of events and responsibilities which might be a part of a four year cycle.

3. At the beginning of the quadrennium, review changes in *The Book of Discipline*.
4. Train new members.
5. Attend Training Conferences, such as the one sponsored by the General Council on Finance and Administration.
6. Attend National Association of Commissions on Equitable Compensation Consultation.
7. Enter a planning process, gathering data, in order to set goals early in the quadrennium.
8. A major review of your Application Forms and your guidance materials for local churches in setting equitable pastoral compensation.
9. Propose changes in *The Book of Discipline*.
10. Work for continuity and leadership development in the Commission between quadrennial elections.

Assigning Roles And Responsibilities

ASSIGNING ROLES

After you have become acquainted with the tasks, analyze how they may be assigned. Here are some ideas.

Depending on the size and character of your program you may wish to assign members in a variety of ways to fulfill necessary tasks:

1. An Executive Committee empowered to make decisions between meetings.
2. The Vice Chairperson should be informed and available to assume the duties of the Chairperson. In addition, this person might be in charge of arranging consultations with local churches participating in your salary supplement program.
3. The Secretary should keep and distribute accurate minutes.
4. Additional tasks which could be assigned to the Secretary or another member include:
 - Receive all applications for supplemental assistance by the deadline
 - Prepare and mail meeting notices
 - Prepare the list of base compensation supplement grants by district

- Communicate Commission on Equitable Compensation decisions on each request to the appropriate church and the district superintendent
- Keep all records of the Commission

MAJOR INSTRUMENTS

A mature program will have developed at least three significant working instruments: first, a comprehensive and balanced set of guidelines or conference rules that include the base compensation schedule, missional supplements, and broader issues of equitable pastoral support; second, a carefully designed application process and packet of forms; third, pastoral compensation resources and guidance materials for the local church. A major source for help in developing and perfecting these tools is the Quadrennial Consultation of the National Association of Commissions on Equitable Compensation where materials are shared and workshops held. Additional assistance may be obtained through the General Council on Finance and Administration staff person who relates to the National Association of Commissions on Equitable Compensation.

Guidelines

The program of each Annual Conference is contained in a set of guidelines which, in some conferences, is a part of the Standing Rules. The more well developed programs usually have these characteristics:

1. A statement of purpose and intent.
2. An outline of the process for granting of base compensation supplements and additional processes for missional compensation supplements or other assistance.
3. Guidelines which distinguish categories of pastors and specify qualifications, limitations, and amounts of the grant for minimum base compensation supplements.
4. Guidelines which specify categories of churches including qualifications and limitations for base compensation.
5. The base compensation schedule which may be determined by one of several types of reference points, three of which are listed below.

- Subjective point of reference, which is usually historic, with incremental increases based on perceived cost of living increase and/or funds which are available.
 - Objective points of reference, which are most usually related to the Annual Conference Average compensation or base compensation of Annual Conference staff or district superintendents. This approach relates the base compensation to pastoral support in the Annual Conference.
 - Economic data gathered from the business community about comparable leadership positions within the bounds of the Annual Conference.
6. The base compensation schedule includes a variety of items in addition to cash salary and specifies requirements and levels for these items such as: reimbursements for travel; housing/utilities; continuing education; Annual Conference expense; and health/dental insurance.
 7. Guidelines for missional base compensation supplements or other items of concern such as those addressed in the section of this manual titled Scope.

Application Processes and Packets

The granting of supplemental base compensation funds requires a well designed application process and set of forms. Major considerations here are:

1. The process usually involves the district superintendent, the church, the pastor, and other appropriate agencies relevant to the situation. There are often consultations with the church and various limitations are set, such as: the percent of base compensation supplemented; number of years support has been given; and the parish size.
2. The forms are best designed in three parts.
 - One section deals with important information concerning the church and its commitments, such as: long term goals; budget; payment of apportionments; membership trends; stewardship plans; parish size; special missional factors; and other financial information.
 - A second part requires relevant information concerning the pastor, such as: conference relationship; years of service; tenure in the appointment; family size; educational attainments; and appointment classification (full time or less than full time. See ¶1342).

- A third part clearly sets forth all the financial information and figures arriving at the supplement grant.

It is recommended that forms include the signatures of Charge Conference officers and the district superintendent.

Equitable Pastoral Support

As the Commission on Equitable Compensation seeks to advise Pastor Parish or Staff-Parish Relations Committees, it will most often produce a brochure or pamphlet which outlines philosophy, the rationale, and a form which will help the church arrive at target figures for what fair compensation should be for that pastor in that parish. The “target” base compensation is the amount which the church seeks to fund. It may require a period of years to finally reach this amount. As the Commission on Equitable Compensation addresses the question of what it should recommend as equitable, the following observations should be considered:

1. Pastoral support can be divided into two parts.
 - The total compensation is composed of cash salary and all benefits and allowances which do not involve professional expense.
 - There are those items which are allowances or accountable reimbursements for education, and entertainment.
2. Equity requires that the church pay for all professional expenses.
3. The factors which should be considered to make the total compensation equitable must be addressed. There are two major perspectives:
 - The pastor as an individual must be considered, and this will involve such items as: professional skills; experience; conference relationship; education; training; and ability.
 - The church and circumstances of the church are considered with reference to: size; the responsibility; the geographic location; and a comparison with what other professionals in similar settings in the community are paid.
4. Some plans seek equity through comparing a pastor's compensation with:
 - What is paid to conference Staff?
 - The Cost of Living Index.
 - The Effective Buying Index (The Effective Buying Index is published by Sales and Marketing Management Magazine each July and is specific to counties and/or cities). This local index is used by some conferences with appropriate

adjustments as a base guide to indicate differences between regions of the Conference.

5. Additional factors are: cost of living increases; local conditions; and, family or special needs.
6. Conference Average Compensation.
 - It must be remembered that the Conference Average Compensation as reported by the Board of Pensions includes an additional 25% for those in parsonages plus an actual amount for those receiving housing allowances. The General Board of Pension and Health Benefits is able, by special request, to give you the figure before these additional housing items are added.
7. Factors which should not be considered in setting compensation are age, sex, race, handicapping condition, spouse's income, marital status or the pastor's private financial resources.

WHO HAS WHAT ROLE & RESPONSIBILITY?

THE BISHOP: It is prudent to enlist the Bishop in the goals of the Commission on Equitable Compensation and respond to concerns which the Bishop identifies in the area of support for ministry. At least an annual session with the Bishop may avoid potential misunderstandings and establish the primary relationship of the Commission on Equitable Compensation with the structure of the Annual Conference. The Commission on Equitable Compensation can rarely do more than the Bishop will support. Yet, when the Bishop makes an appointment, that Pastor has a claim on the Equitable Compensation fund if the church cannot fully pay the minimum salary for the pastor.

ROLES & RESPONSIBILITIES

Because clergy compensation, support of ministry, and missional compensation supplements have significant impact on many areas of the Annual Conference, and these same areas have reciprocal influence upon the work of the Commission on Equitable Compensation, it is vitally important to maintain good communication and a positive working relationship with many persons and groups.

THE CABINET: A rapport with the Cabinet is essential. It is not appropriate for the Cabinet to dictate decisions for the Commission to rubber stamp, nor is it reasonable for the Commission to frustrate the appointive process of the Cabinet by its procedures. A well developed and clearly out-lined program of base compensation subsidy grants and missional compensation subsidy grants will assist in facilitating the appointive process and strengthen the work of the Cabinet. By the same token, the Cabinet can assist the Commission in its work by identifying the number of charges where increased supplements will be needed. *The Book of Discipline* makes clear the authority of the Commission on Equitable Compensation to propose guidelines for the Annual Conference, and it would be particularly helpful if there are open consultations with the Cabinet concerning these guidelines. A good working partnership makes hard decisions rare, and makes volumes of work routine. In this era when churches are shrinking and salaries are increasing, it is sometimes necessary for the Commission to ensure that appointed Pastors are receiving the minimum base compensation through careful and conscientious screening of the procedures and in conversations with members of the cabinet.

THE DISTRICT SUPERINTENDENT: The district superintendent is the connecting link between the Commission and the local charge, and can significantly influence the quality of the Equitable Compensation program. The district superintendent aids each pastor and church in the preparation of applications for base compensation supplements, and in the use of equitable pastoral support guidelines with the local Pastor Parish Relations Committee. The district superintendent is concerned for supporting the ministry of the district and the equitable support of all its pastors. Good communication and the exchange of views with each district superintendent is essential.

THE COUNCIL ON FINANCE AND ADMINISTRATION: The Council on Finance and Administration is the funding agent. It is crucial that the CFA understands the purpose, significance, and the Disciplinary requirement that pastors must be paid. It is the responsibility of CEC to make sure that appointed pastors receive the minimum base compensation. There needs to be a sense of trust that funds are being used wisely. The Commission on Equitable Compensation should plan and consult with CFA, in such a way that large and embarrassing deficits do not occur. In fact, the Discipline and the Judicial Council require that CFA consult with CEC regarding its budget prior to recommending it to the Annual Conference. (Judicial Council Decision 1013) Clear and careful stewardship of funds, good projections, and well planned presentations of budget requests are essential.

THE BOARD OF ORDAINED MINISTRY: The Board of Ordained Ministry is also concerned for the support of pastors. The requirement for a base compensation level is found in *The 2012 Book of Discipline* in Chapter Two, "The Ministry of the Ordained," in paragraphs 331.10b, 342 and 318.1, .2. Some of the issues listed under "Scope" in this document are also concerns of the Board of Ordained Ministry. Consultations with the Board will provide a forum for the exchange of views and concerns.

THE BOARD OF PENSIONS: Sometimes the Conference Board of Pensions and the Commission share common concerns, such as: pension credit; the employment of retired clergy; the conference health care plan; the use of supplements to qualify clergypersons for the Comprehensive Protection Plan; and aiding local churches in determining accurately their pension requirements. Funding requirements fall more technically in the field of the Board of Pensions. The Commission on Equitable Compensation can help all parties concerned by lifting up the issues and seeking simple, clear statements from the Board of Pensions.

Since many Annual Conferences direct that some monies from the Equitable Compensation Fund be used to cover pension contributions in a supplemented salary

situation, the Commission on Equitable Compensation must acquire a working knowledge of the Pension Plan and a working relationship with the Board of Pensions.

AGENCY PROGRAMS WHICH MAY REQUIRE MISSIONAL SALARY SUPPLEMENTS: In many Annual Conferences either base compensation supplements or missional supplements are used for such purposes as new church development, urban ministries, language ministries, and other specialized ministries. These programs will necessitate constant communication with responsible agencies facilitating guidelines, projecting budgets, and often protecting the most fundamental requirement, which is to provide for base compensation supplements. Often there will need to be interagency consultation.

THE STAFF PARISH RELATIONS COMMITTEE: Our concern for equitable pastoral support creates an interface with the General Board of Discipleship which writes quadrennial guidelines for the Staff Parish Relations committee and includes in them a section on compensation. *The Book of Discipline* requires the Commission on Equitable Compensation to provide additional materials appropriate to its own Annual Conference. These materials are often in the form of brochures or pamphlets.

THE PASTOR: The Commission on Equitable Compensation should seek to develop a supportive relationship with pastors of the Annual Conference and become their advocate in regard to equitable compensation support.

THE CHARGE CONFERENCE: The Charge Conference has the responsibility to set the pastor's salary based on the recommendation of the Staff Parish Relations Committee. The Commission must inform the Charge conference of the Minimum Compensation adopted by the Annual Conference. "If it becomes necessary to modify a pastor's compensation, it shall occur at the end of the conference appointment year." (§ 624)

THE LOCAL CHURCH TREASURER: The Church Treasurer must be informed of the church's obligation to pay the full compensation as approved by Charge Conference on a regular and timely basis.

A Sample Yearly Plan (submitted by a UM Annual Conference)

JANUARY

Equitable Compensation Commission – Two-day meeting

Day One

Identify or elect Chairperson (may be appointed by the Annual Conference)

- Recognize District Superintendent appointed by the Bishop to serve as liaison between the Commission on Equitable Compensation (CEC) and the Cabinet
- Elect a vice-chairperson
- Elect a recording secretary – After election, begin recording minutes of meeting
- Elect other officers and representatives to other conference committees, boards, and agencies as needed
- Set deadlines for submission of applications for equitable compensation
- Review CEC legislation adopted by Annual Conference, changes or additions to guidelines, changes or additions to standing rules, and the responsibilities as mandated by the *Book of Discipline*
- Determine CEC recommendations for the minimum base compensation schedule and other ministerial support considerations which may include, but are not limited to: yearly increments for service, CEU funds, professional expenses, and housing/utilities
- Review existing policies that determine how grants are to be implemented in terms of yearly reductions. Is there a yearly application for support?
- Review background information to determine the minimum base compensation formulas and set compensation minimums for adoption at the next Annual Conference
- Prepare Budget proposal to submit to CF&A

Day Two

- Meet and confer with Cabinet to explain CEC's purpose and support of appointed pastors and discuss specific grants.

- Discuss budget: What are the Cabinet's missional priorities? What is the Cabinet's support of CEC's budget?
- Designate someone to prepare report on proposed budget amount and compensation schedule; communicate to Conference Council on Finance and Administration
- Arrange for communication of deadlines and time frames to be sent to all pastors in the conference.
- Set date for additional meetings and Annual Conference.
- Set date for June/Meeting
- Send minutes to each member of CEC

FEBRUARY – MARCH – APRIL – MAY

- Make arrangements for June Meeting – Reserve meeting place, arrange for meals, arrange for devotions/worship
- Be in communication with churches that need CEC support. Assign Commission members a church(s) for follow-up
- Prepare and send annual report, recommendations and proposed standing rules changes to the Chair of Standing Rules (if needed) and the Conference Secretary for inclusion in pre-conference book.
- Meet and consult with the Council on Finance and Administration on the final budget proposal.
- Prepare an agenda for the June meeting and mail to the Commission secretary for distribution with the meeting notice.
- Copy the grant applications and send to all members prior to June meeting.

June (or May depending on individual Conference date)

- Attend Annual Conference – Chairperson, depending on Conference prepare information on background used to determine Minimum Base Salary Recommendation and any other CEC proposals to the Annual Conference.
- Chairperson be prepared to answer any questions from the floor of Annual Conference pertaining to CEC Guidelines.
- If desired, advertise a workshop for local churches on CEC’s responsibilities

Commission on Equitable Compensation – June Meeting

- For meeting – have available copies of applications for each person submitted to CEC
- Consultation on applications: Review funding applications.
- Work with Cabinet representative to determine other churches that may need CEC support.
- Budget – start working on the next year budget and recommendations.
- Work on non-budget recommendations, i.e., housing (both parsonage and housing allowance), arrearages, and pet policies.
- Evaluate process or formula used to determine the minimum base compensation and related expenses

July-August

- Contact the Dean of the Cabinet to arrange a time for a joint meeting in January
- Make arrangements for the January meeting – Reserve meeting place, arrange for meals, arrange for devotions/Worship, arrange for the printing and mailing of the advisory materials to be sent to the Pastor-Parish Relations Committee and District Superintendent

NOVEMBER

- Chairperson, in collaboration with the Vice-chairperson, prepares an agenda for the January meeting and electronically distributes with the meeting notice and minutes, if not previously distributed.

DECEMBER

- Send meeting reminders to CEC members.

ON-GOING

- Keep the Secretary and Vice-Chairperson aware of all actions and information
- Be available for counsel with Staff-Parish Relations Committee Chairs, pastors, district superintendents, and others
- Call meetings of the Executive Committee as necessary for emergency requests
- Attend Jurisdictional or Regional meetings that include workshops related to the CEC
- Attend the Quadrennial National Association on Commissions on Equitable Compensation
- Make efforts to move to 100% electronic communication for grant requests, contact of committee members, etc.

A 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* ¶624, 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),
 - 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 (§624).
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.