

Information to consider in setting the pastor's compensation.....

Minimum Base Compensation

	<u>2003</u>
Full-time local pastors with less than ½ Course of Study	\$21,500
Full-time local pastors with more than ½ Course of Study	\$22,900
Full-time local pastors who have completed Course of Study	\$24,300
Full-time local pastors who have five or more years of experience after completing Course of Study; probationary members; and associate members with less than five years experience as an associate member	\$25,800
Full members with less than five years experience as a full member	\$26,600
Full members with five to nine years experience as a full member, associate members with five or more years experience as an associate member	\$27,400
Full members with ten or more years experience as a full member	\$28,200

Housing

All pastors shall be provided either a parsonage or a housing allowance. The Judicial Council has ruled that a church may not change or discontinue its provision of a housing allowance or a parsonage simply because the pastor appointed is married to a pastor appointed to another charge. When a parsonage is provided and the pastor chooses to live elsewhere, the church is not required to provide a housing allowance, but may do so if it chooses.

Utilities

The local church or charge is also responsible for the actual cost of parsonage utilities (water, gas, electricity, trash removal, waste water) and church related telephone calls. This may be paid to or for the pastor.

(over)

Health Insurance

The church is expected to provide health insurance for a pastor serving full time and for his or her family through the Kansas East Conference. The conference health insurance plan, HealthFlex, is effective to December 30, 2002. Premiums for this are \$500 per month or \$6,000 per year. It is likely that this amount will increase for 2003; however, we have not been advised of the new premium.

Pension

The church is expected to pay the pastor's monthly pension (Ministerial Pension Plan) and death and disability benefit (Comprehensive Protection Plan). MPP is 12% and CPP is 4.4% of the pastor's compensation as defined by the General Board of Pensions and Health Benefits.

Please note that MPP and CPP plan compensation now includes utilities paid to and for clergy. CPP cost is capped at 4.4% of 200% Denominational Average Compensation (or .044 of \$85,860, which is \$3,778). Use the enclosed Pastor's Support Worksheet to determine the annual amounts to be contributed for MPP and CPP.

In addition, pastors are encouraged to contribute 3% of their base compensation to their Personal Investment Plan with the General Board of Pensions. These contributions may be tax-paid or tax-deferred. Either way, they should be reported on the Pastor's Support Worksheet. These personal contributions are from the base compensation of the pastor, but, according to the Internal Revenue Service, must be sent to the General Board of Pensions on a check from the church. This means that the pastor needs to enter into a "Before-tax and After-tax Contributions Agreement" with the church or other salary paying unit. Copies of this agreement are available from the Conference Benefits Officer.

One final note about pension contributions. The Internal Revenue Code places three limitations on the amounts an individual can contribute to 403(b) retirement plans. Both the Ministerial Pension Plan and the Personal Investment Plan are 403(b) retirement plans. District Superintendents have information which will help a pastor determine whether these limitations will affect his or her compensation package.

Travel Allowance

According to the standing rules, (p. 272 of the 2001 Journal), the local church or charge is responsible for payment of the pastor's travel for local church work. The pastor is to keep a log of the actual miles driven in the course of local church work and to submit monthly vouchers to the local church treasurer for reimbursement. Miles driven for district or conference work are not the responsibility of the local church. The amount which the local church should pay is \$.345 per mile, the current rate allowed by the IRS. If a travel allowance of a set amount is given to the pastor without documentation of actual miles driven, that allowance becomes taxable income.

Accountable Reimbursement Plan

Reimbursed professional expenses are tax-exempt. Cash allowances for travel, continuing education and other business expenses are subject to both income tax and social security tax. You are encouraged to establish an accountable reimbursement plan for your pastor and for other staff as well.

Appropriate reimbursable expenses include continuing education and spiritual formation events approved by the Staff/Pastor Parish Relations Committee; travel fares, lodging and meals while on business for the local church (Annual Conference, for example); office supplies and postage, office equipment, computer and software, books, subscriptions and periodicals; professional dues, religious materials, vestments and business gifts.

There are three rules:

- A. An accountable reimbursement plan must be established in advance.
- B. Payment is made only to reimburse a documented expense. In other words, paying the same amount for travel or for continuing education each month is a cash allowance and subject to taxation.
- C. The funds budgeted for an accountable reimbursement plan are used or lost. Any unused balance is forfeited by the pastor as these are church funds and not clergy compensation. If the church grants the pastor any portion of the reimbursement account without a documented expense, the plan is invalidated and all previous reimbursements in the year become taxable income.

Vacation

A minister serving full time is to receive four weeks vacation with pay during each conference year.