

PLEASE READ & PRINT THESE INSTRUCTION PAGES FIRST!

Instructions for Completing the 2010 Compensation Forms:

Read & Review the instructions and Complete the forms in this order:

- 1 Begin by reading the instructions and information that follow on these pages. You can follow each section of the forms as you complete them as the instructions are in the same order as the information to be completed on the forms.
2. Complete and calculate the 2010 Compensation Worksheet following the directions on page 1 & 2 of these instructions and transfer those figures to the Statement of Pastor's compensation as instructed.
 - Cash Salary Calculation – page 1
 - Housing Designation and Adjusted Cash Salary – page 2
 - Social Security Calculation – page 2
3. Complete the 2010 Statement of Pastor's Compensation Form following the directions on pages 2- 7 of these instructions
4. When the Statement page is complete, the information can then be inserted onto the appropriate lines of the:
 - Salary /Housing/Parsonage Resolution
 - Travel/Professional Reimbursement Agreement Resolution
 - Flexible Spending Account Agreement and Flexible Benefit Plan Cover page
5. These documents are now ready for presentation to and adoption by the Local Conference of the Church.
6. Upon Approval by the Local Conference, Copies of ALL documents (See Underlined List Above) are to be mailed to Ken Wiest at the E.C. Church Offices, 100 W. Park Ave., Myerstown, PA 17067

TO: Lay Delegates, Church Treasurers, Budget and/or Finance Committee members

(Taken from the 2009 National Conference Compensation Report)

Knowing the need to work within a budget and other concerns that a church may have, churches that plan to grant less than the 1.0% increase as approved in this report, must receive the approval of their Conference Minister prior to any official action being taken to set the pastor's salary for the up-coming year.

Churches served by a part-time pastor are encouraged, but not required, to give their pastor an annual salary increase.

TO: Church Treasurers- please note—if at any time you are unable to pay salary, reimbursement, Social Security, Health insurance premium or pension contribution to your pastor(s) pension account, your Conference Minister is to be notified immediately.

Instructions for Completing the 2010 Compensation Worksheet:

1) Cash Salary Calculation: Complete either 1.a. or 1.b.—

- Line 1.a: For 2009 Cash Salary figure- refer to your 2009 Statement of Compensation Form Item I-A, -- --enter 2009 cash salary figure and multiply it times the National Conference approved salary increase of **1.0%** .
 - Optional calculation if the church is providing a merit raise (either percentage or a dollar amount in addition to the National Conference approved salary increase of 1.0%)
 - Add the 2010 increase to the 2009 Cash Salary and enter the new cash salary figure
 - Transfer the 2010 Cash Salary amount to 1-A & II-A on the Statement of Pastor's Compensation Form
 - Transfer the 2010 Cash Salary amount to #3.a under the Social Security Calculation

- If the pastor is designating part of cash salary for housing, do not enter the 2010 cash salary figure as instructed above but go to #2 & complete adjusted cash salary & Housing Declaration
- Line 1.b: for Churches considering a raise based on the previous year's housing allowance and cash salary (For 2009 figures, refer to your 2009 Statement of Compensation Form Item I-A)
 - Add the 2009 Cash Salary plus 2009 Housing Allowance amounts together for the 2009 total
 - Enter the 2009 total and multiply it times the National Conference approved salary increase of **1.0%**.
 - Optional calculation if the church is providing a merit raise (either percentage or a dollar amount in addition to the National Conference approved salary increase of 1.0%)
 - Add the 2010 increase to the 2009 total and enter the 2010 Total which is the 2010 combined Cash salary & housing allowance figures
 - 2010 Total and designate how much is the 2010 Cash Salary and 2010 Housing Allowance
 - Transfer the 2010 Cash Salary amount to 1-A & II-A on the Statement of Pastor's Compensation Form
 - Transfer the 2010 Cash Salary amount to #3.a under the Social Security Calculation
 - If the pastor is designating part of cash salary for housing, do not enter the 2010 cash salary figure as instructed above but go to #2 & complete adjusted cash salary & Housing Declaration

(If the pastor does not desire to designate part of his cash salary toward the housing allowance, then use Item 1.a or 1.b as the Cash Salary. Enter the amount designated by the church for housing allowance below under 2.b., place a zero on the next line and complete the total. Enter the Housing Allowance Declaration (2.b) on I-B and III-B on the Compensation Form & below under Social Security 3.b)

2) Declaration of Housing Allowance: For pastors who own their own home and wish to designate part of their cash salary as Housing Allowance (see a complete explanation below under the instructions for completing the Statement of Pastor's Compensation Form- Item I-B)

- a) Adjusted Cash Salary
 - 2010 Cash Salary figure from 1.a or 1.b. Subtract from cash salary the amount the pastor designates as housing; the difference is the Adjusted Cash Salary
 - Enter as 1-A & II-A on the Compensation Form and below under Social Security 3.a
- b) Housing Declaration
 - Enter the amount the church has decided that they will pay toward the pastor's housing allowance
 - Enter the amount from cash salary that the pastor chooses to have added to the church's amount for the housing allowance (if not designating an amount, enter zero)
 - Add the 2 amounts together and transfer the amount to I-B and II-B on the Statement of Pastor's Compensation Form and to #3.b. under the Social Security Calculation

3) Social Security Calculation:

- Line 3.a: Cash Salary
 - is transferred from Line 1.a or 1.b of Cash Salary Calculation OR from Adjusted Cash Salary Line 2.a., if Pastor is designating part of cash salary for housing allowance
- Line 3.b: Housing Allowance (if you own or rent your own home)
 - See a complete explanation below under the instructions for completing the Statement of Pastor's Compensation Form- Item I-B
 - See Item 2.b on the Compensation Worksheet for the amount
- Line 3.c: Parsonage Rental Value (if you live in a parsonage)
 - This is the amount designated by the church as the rental value of the parsonage that they own and provide to the pastor.
 - Enter the Parsonage Rental Value on the Compensation Worksheet under Social Security Item # 3.c and on the Statement of Pastor's Compensation under Item IV-A.
 - By action of the 2007 National Conference every three years churches are to review their rental value by securing 3 appraisals from local realtors, which would include the fair rental value of housing

in your community, plus furnishings and utilities. Then take the average of those 3 appraisals to determine a fair and equitable parsonage rental value for your parsonage in your community.

- Line 3.d: .Parsonage Utilities Paid by the Church (if you live in a parsonage)
 - the amount paid by the church for the utilities for the parsonage: electric, gas/oil, water/sewer and base telephone. (see National Conference Rule 1002)
 - Enter the Amount designated for Parsonage utilities paid by the church on the Compensation Worksheet under Social Security Item # 3.d and on the Statement of Pastor's Compensation under Item IV. B
- Line 3.e: Pastor's contribution to the Flexible Spending Account
 - The amount of the pastor's personal contribution is determined by the pastor.
 - The pastor's personal contribution to his FSA is withheld from his salary and recorded under Item II-E on the Statement.
 - The only FSA authorized by the Benefits Corporation and in compliance with Federal regulation is for the health insurance plan administered by the Benefits Corporation.
 - See a complete explanation below under the instructions for completing the Statement of Pastor's Compensation Form- Item I-E
- Line 3.f: Pre-Tax Health Insurance Co-pay (optional)
 - if the church is asking the pastor to have withheld from his cash salary an amount as co-pay toward his health insurance premium withheld from his cash salary- (see Health Insurance premiums & Co-pay chart on the Benefits Corporation's section of the EC Website)
 - Enter the appropriate Co-Pay on the Compensation Worksheet under Social Security Item 3.f and on the Statement of Pastor's Compensation Item II-F.
- Line 3.g: Total Lines 3.a through 3.f
- Line 3.h: Multiply Line 3.g times 7.65% (1/2 of the Self Employment Social Security Rate) and enter that figure on and on Line I-C & II-B on the Statement of Pastor's Compensation Form.

Attach the Compensation Worksheet to the Statement of Pastor's Compensation. The signatures represent the approval by the Local Conference of the Church. Once approved, Mail copies of **all 5** Compensation documents to Rev. Ken Wiest, 100 W. Park Ave., Myerstown, PA 17067 – DUE by JANUARY 15th!

Instructions for completing 2010 Statement of Pastor's Compensation

Please read thoroughly before completing the 2010 Statement of Pastor's Compensation Form. These instructions are in order as the item appears on the Compensation Form. For more detailed information – see the Minister's Compensation Manual – EC Church Website

Fill in the following: Pastor's name and Church (include city, state)

Fill in the Clergy Classification which refers to pastor's classification in relationship to National Conference. (See the Ministerial Classification pages in Section 1 of the National Conference Journal)

Circle whether the pastor is Full-time OR Part-time which refers to the pastor's stationing classification. (See National Conference Rule 906.) If part-time enter the number of hours/week this compensation covers.

I. Pastor's Total Compensation: includes all the items that are included as part of the EC Church's Pastor's Compensation package. (See 2009 NC Compensation report and National Conference Rule 1000-1002.)

A. Cash Salary: is the base compensation amount before adjusted for the housing allowance, social security, pension contribution or any other additional benefit or deduction to salary.

- Refer to the 2008 National Conference Compensation Report for minimum cash salaries
- See the Compensation Worksheet Item #1: Cash Salary Calculation and transfer the appropriate calculation to the Statement Item I.A.

B. Housing Allowance: is the amount paid to pastors who own or rent their own home in lieu of a church-owned parsonage.

- See the Compensation Worksheet Item #2- Declaration of Housing Allowance

This is new! If the pastor desires to designate a part of his cash salary toward his housing allowance, item #2 on the Compensation Worksheet needs to be completed.

- If the pastor does not want to designate any of his cash salary toward his housing allowance, then enter only the amount the church has designated that they will pay toward the housing allowance.

- The Housing Allowance is not included in taxable income, but is reported as 'Housing Allowance' on the W-2 in Box 14. The Housing Allowance is included in the computation of the Social Security Tax.

- Please refer to the Minister's Compensation Manual as there are specific IRS limitations on the amount that can be taken as a deduction to income. The housing allowance exclusion cannot exceed the **lowest** of these three figures: fair rental value of the home plus furnishings and utilities; the actual expenses of operation of the home; or the amount designated by the church as housing allowance.

By action of the 2007 National Conference, each church is to review their pastor's housing allowance by securing 3 evaluations from local realtors, which would include the fair rental value of housing in your community, plus furnishings and utilities. Then take the average of these 3 appraisals to determine a fair and equitable housing allowance for your pastor in your community. This evaluation is to be completed every three years.

If your church is considering a housing allowance for the first time, it is to be done in consultation with your Conference Minister. (See National Conference Rule 1002.5.)

C. One-Half Social Security:

-- Although pastors are considered self-employed for Social Security purposes and are subject to SECA rules not FICA rules, the EC Church requires that our churches pay one-half of their pastor's social security.

--Because pastors are considered self-employed and under the SECA rules, this Social Security payment to the pastors is considered taxable income and included in their total taxable income and reported on their W-2, Box 2. (See National Conference Rule 1002.6)

- See the Compensation Worksheet Item #3 for specific instructions for the calculation of the Social Security and transfer the appropriate amount to item I-C.

D. Paid to the Benefits Corporation by the Church

1. Health Insurance Premium:

-- This is the health insurance premium, pro-rated monthly and due to the Benefits Corporation by the 15th of each month for each pastor (and his family) who has his health insurance under the denomination's plan. The only 2 allowed exceptions are if the pastor has coverage through his spouse's employer or if the pastor has coverage through retirement from a previous employer. The contract year currently runs from October 1 – September 30.

-- The 2010 health insurance premium amounts will be available on the Benefits Corporation's section of the EC Website in September. Notification will be made in the EC Leader when they are available.

2. Disability Insurance:

-- This is the amount paid annually to the E.C. Church Benefits Corporation by each church for every assigned pastor in their church for disability insurance should the pastor become disabled and no longer able to continue to work.

-- The 2010 premium is \$100 per every assigned pastor (as per the 2009 Stationing Committee Report), per every chartered church and church plant.

-- This premium is due by Jan. 15, 2010 to the Benefit Corporation.

(See National Conference Rule 1002.8).

-- For questions regarding the EC Benefits Corporation Disability Insurance Plan, contact the Benefits-Compensation Administrator.

3. Benefits Service Fee.

-- This is the amount paid annually to the E.C. Church Benefits Corporation by each church for every assigned pastor in their church for administrative services provided on behalf of the church for health insurance, disability insurance, worker's compensation insurance, and pension (both church share and pastor share).

-- The 2020 premium is \$100 per every assigned pastor (as per the 2009 Stationing Committee Report) per every chartered church and church plant.

-- This premium is due by April 15, 2010 to the Benefits Corporation.

4. 403(b) Retirement Plan:

-- This is the church's (employer's) contribution to their pastor's 403b retirement plan as administered by the Benefit Corporation and managed by Wells-Fargo Wachovia Securities.

-- The Church contribution is due monthly by the 15th.

-- The 2010 rates are: \$1,800 per year (\$150/mo) for full-time pastors and \$900.00 per year (\$75/mo) for part-time pastors.

E. Health Care Flexible Spending Account: (FSA)

- \$500 is made available for the pastor and his family to use to pay any allowable health care expense not covered by his health insurance.
 - To be in compliance with federal regulations, this is **available only** to those pastors who participate in the denomination's health insurance plan and who agree to contribute as a payroll deduction from their own salary to their FSA (minimum \$200.00).
 - The only FSA authorized by the Benefits Corporation and in compliance with Federal regulation is for the health insurance plan administered by the Benefits Corporation.
 - If the pastor is not a participant in the denomination's health insurance plan, he is **not eligible** for this \$500.
 - This is a not included nor reported as taxable income.
 - The pastor's personal contribution to his FSA is recorded under Item II-E on the Statement of Pastor's Compensation and under the Social Security Calculation on the Worksheet Item #3.e. The pastor's Contribution is withheld from his salary and not reported as taxable income. The amount of the pastor's personal contribution is determined by the pastor.
 - Items I-E (church contribution to the FSA) and II-E (Pastor's Contribution to the FSA) are NOT to be combined on the Statement of Pastor's Compensation! They are a combined figure for use by the Local Church and the pastor.
 - Enter the Church's Contribution to the FSA on the Statement of Pastor's Compensation, Line I-E
 - Enter the Pastor's Contribution to the FSA by withholding from his salary the amount designated on the Statement of Pastor's Compensation, Line II-E
- The National Conference Compensation Committee has established a maximum contribution to the FSA shall not exceed \$4000 and includes the \$500 from the church (employer). PLEASE set a conservative amount as you lose all of the remaining funds in the FSA at the end of each calendar year.
- If there are funds remaining at the end of the year, our plan does provide that expenses incurred late in the year and not received until into the new year, can be submitted for reimbursement against the old year until March 31, as long as funds remain.
- Funds cannot be carried over from one year to the next. By Federal law, any funds remaining at the end of the year or at March 31 must be remitted by the churches to the Plan Administrator, the EC Church

Benefits Corporation. Again by federal law and IRS regulation, the Benefits Corporation must then distribute all remaining monies equally to the all plan participants. The Benefits Corporation does not want this excess money, so please set your contribution conservatively so you are able to use up all of the funds that you designate for the FSA within the year!

(See National Conference Rule 1002.7 and the section on Flexible Spending Accounts on the EC Church Website under Compensation for detailed information on FSA's.)

F. Continuing Education Assistance Reimbursement:

-- Each church is required to make a minimum of \$750 (for 2010) available to their pastor to be used for continuing education, such as: attendance at seminars or conferences, and/or the purchase of books, tapes and professional journals or to a student pastor's tuition at a college or seminary. The Continuing Education Reimbursement is in addition to cash salary. (See National Conference Rule 1002.9).

G. Accountable Reimbursements:

• Accountable Reimbursement for Travel:

-- The pastor is to be reimbursed for mileage logged while performing pastoral care and administration based on the current IRS established reimbursement rate. This rate is announced by the government, usually in the fall, but it can be adjusted at other times through the year, as well.

-- The Local Conference of each EC Church must adopt and complete the resolution found on the Pastor's Compensation Agreement Form and then the pastor must regularly submit his mileage expenses to his church with documentation for this plan to be in compliance with IRS regulations. (See National Conference Rule 1003 and the Pastor's Compensation Agreement Form)

• Accountable Reimbursement for Professional Expenses:

-- The pastor may be reimbursed for other professional expenses incurred by him, such as: entertainment, conventions, books, magazines, other travel (such as hotels, air fare, motels etc.) and a variety of other expenses from their regular course of carrying out their pastoral duties.

-- The Local Conference of each EC Church must adopt and complete the resolution found on the Pastor's Compensation Agreement Form and then the pastor must regularly submit his professional expenses to his church with documentation for this plan to be in compliance with the IRS. (See the Pastor's Compensation Agreement Form and the Minister's Compensation Manual for more information)

H. Housing Equity Account- HEA (optional):

-- HEA is a means by which a church that provides a parsonage for their pastor can help him to accrue equity in an account in lieu of the equity he would be gaining if he owned his own home.

-- This is an optional benefit and any annual amount is negotiated between the pastor and his Local Conference at the time that the salary package is set and approved.

-- The Housing Equity Accounts are administered by the Benefits Corporation as a subsidiary plan of our 403(b) retirement plan with Wachovia Securities. For more information contact the Benefits-Compensation Administrator.

I. Other Fringe Benefits:

-- May include health insurance supplemental premiums paid by the church to the pastor to reimburse him for his and /or his family's coverage under his spouse's insurance or if he must pay a portion of his retirement coverage from a previous employer.

-- May include the expenses such as a mission's trip or a Christmas gift from the church.

-- This is a miscellaneous category. Most benefits listed here will be subject to federal income tax.

-- If you have a particular question regarding a 'fringe Benefit' that you provide for your pastor or if it may be taxable income, contact the Benefits-Compensation Administrator.

II. Taxable Compensation: the net amount paid to the pastor that is subject to federal income tax and is reported on the W-2, Box 1. (Refer to the Minister's Compensation Manual for more information.)

A. Cash Salary: See the Compensation Worksheet Item #1: Cash Salary Calculation and transfer the appropriate calculation to the Statement Item II.A. to be included in the taxable compensation calculation

B. One-half Social Security: - See the Compensation Worksheet Item #3 Social Security Calculation and transfer the appropriate amount to item II-B. to be included in the taxable compensation calculation

C. Less Parsonage Furnishings Allowance:

-- For pastors living in church-provided parsonages, an allowance is to be designated for out-of-pocket expenses incurred by the pastor such as utilities, appliances, furnishings, rental insurance and repairs not paid for by the church.

-- The amount for the parsonage furnishings allowance is set by the pastor, not by the church.

-- It is a designation of cash salary and paid to the pastor as part of his cash salary.

-- This allowance is only for those pastors living in a parsonage.

-- The Local Conference must adopt and complete the resolution found on the Pastor's Compensation Agreement Form for this to be in compliance with the IRS.

-- The Parsonage Furnishings Allowance is not included in taxable income for Box 1 of the W-2, but is reported as 'Parsonage', along with the Rental Value of the Parsonage in Box 14 of the W-2.

-- The Parsonage Furnishings Allowance, Rental Value of the Parsonage and Utilities paid by the church are all included in the computation of the Social Security Tax.

-- The pastor is responsible for reporting any unused portion of the Parsonage Furnishings Allowance as 'Other Income' on his IRS Form 1040 when he files his tax return

D. Less Pastor's Personal Pensions Contributions

-- This is the amount that the pastor determines that he wants to contribute to his 403b pension account as his personal contribution

-- This is optional, the pastor is not required to make a contribution, but strongly encouraged to do so as one means of preparing for his retirement years.

-- The Pastor's personal pension contribution is not included in taxable income for Box 1 of the W-2, but is reported in Box 12A of the W-2.

E. Less Pastor's Personal Contribution to his Health Care Flexible Spending Account (FSA):

-- The amount of the pastor's personal contribution is determined by the pastor.

-- The pastor's personal contribution to this FSA that is withheld from his salary and not recorded as taxable income. It is recorded under Item II-E on the Statement of Pastor's Compensation and under the Social Security Calculation on the Worksheet Item #3.e.

-- The only FSA authorized by the Benefits Corporation and in compliance with Federal regulation is for the health insurance plan administered by the Benefits Corporation.

F. Less Health Insurance Co-pay (pre-tax):

-- If the church is asking the pastor to have withheld from his cash salary an amount as co-pay toward his health insurance premium withheld from his cash salary- (see Health Insurance premiums & Co-pay chart on the Benefits Corporation's section of the EC Website)

-- Enter the appropriate Co-Pay on the Compensation Worksheet under Social Security Item 3.f and on the Statement of Pastor's Compensation Item II-F.

G. Total Taxable Compensation

-- Add Items II-A through II-F

-- This is the amount to be reported in Box 1 of the W-2.

III. Actual Salary to be Received by the Pastor:

-- The Taxable Compensation total PLUS either the housing allowance (for pastors who own or rent their own home) OR the parsonage furnishings allowance (for pastors who live in a church owned parsonage) will be the total salary to be received by the pastor for the year which is then pro-rated as per how many pay periods (12, 24, 26, or 52) the church has per year.

--For those living in a parsonage, fill in the amount you are designating as Parsonage Furnishings Allowance.

IV. Non-Compensation Items:

A. Parsonage Rental Value

-- Enter the Parsonage Rental Value on the Compensation Worksheet under Social Security Item # 3.c and on the Statement of Pastor's Compensation under Item IV-A.

B. Parsonage Utilities

-- Enter the Amount designated for Parsonage utilities paid by the church on the Compensation Worksheet under Social Security Item # 3.d and on the Statement of Pastor's Compensation under Item IV. B

V. Vacation Schedule:

-- Enter the number of weeks as per National Conference rule 1002.10.

-- Vacations are based on the pastoral assignment year, not the calendar year.

Instructions for Completing the Pastor's Compensation Agreement Form with the Housing/Parsonage resolution/ the Travel and Professional Expense Reimbursement Resolution/ and the Flexible Spending Account Agreement Form

1. Upon Completion of the Compensation Worksheet, followed by the Statement of Pastor's Compensation, transfer all required figures to the appropriate blanks on the Housing/Parsonage Resolution of the Pastor's Compensation Agreement Form and the appropriate blanks on the Travel & Professional Expense Reimbursement Resolution

2. For the Flexible Spending Account, complete the FSA Agreement Form AND the cover page of the FSA Plan Document, entitled Flexible Benefit Plan. The cover sheet must be completed, signed and returned to Rev. Ken Wiest with the copies of all the forms.

3. Local Conference is convened to review and adopt the Statement of Pastor's Compensation, one of the Resolutions for either the Church owns the Parsonage or the Pastor owns or rents his own home, the Resolution for an Accountable Reimbursement Plan and the Flexible Spending Account Agreement.

4. Chairman of the Board or Ministry Council and the Pastor sign and date where indicated on the forms and sends copies to the Benefits-Compensation Administrator – see worksheet for specifics.

Distribution of Copies of all the Forms:

- Please make sure all forms and resolutions are signed and dated
- **Mail copies of ALL of the following** as soon as the salary is approved by the Local Conference **DUE NO LATER THAN JANUARY 15** to: Rev. Ken Wiest, Compensation Administrator, E.C. Church Offices, 100 W. Park Ave., Myerstown, PA 17067
 1. Statement of Pastor's Compensation Form
 2. Compensation Worksheet for Calculating Cash Salary increase/ Housing designation

and Social Security

3. Salary Agreement and Housing / Parsonage Allowance Resolution
4. Travel and Professional Expense Resolution
5. Flexible Spending Account Agreement
6. Flexible Benefit Plan cover page

➤ **Distribute copies of all of the above to:** Pastor, Church Treasurer, and Local Conference Record Book

For Questions: Rev. Ken Wiest, Benefits-Compensation Administrator, 100 W. Park Ave., Myerstown, PA 17067; (800) 866-7581; kwiest@eccenter.com