APPENDIX a

2027 Clergy Salary & Benefits Package Guidelines

California-Pacific Conference
The United Methodist Church

An Approved Salary & Benefits Package form must be completed

a) for all appointed pastors in churches, start-ups, and missions as of January 1, 2027

b) for any pastor going to a new appointment or with a new salary and benefits compensation package in 2027 after January 1 (on July 1 or any other date)

NOTE: Important Changes have been implemented related to compensation forms for 2027.

Process for successful completion:

a) For all appointed pastors continuing in appointments at local churches, satellite campuses, start-ups, and missions as of January 1, 2027.

The salary and benefits compensation worksheet (as Charge Conference Form #3) should be completed and provided to the District Office at least one week prior to the charge conference meeting, so that the District Superintendent can review and approve it prior to the meeting. The worksheet is voted at charge conference in the fall 2026, to be effective January 1, 2027. After the charge conference vote, the church completes the form online and digitally signs it. The salary and benefits compensation form is automatically distributed to the correct District Office after it is digitally signed by the SPRC chair(s) and clergyperson. The District Office enters the information in the Conference's data collection system and verifies it matches the District Superintendent's approved version. The Conference's Benefits Manager retrieves the data and enters the information into the Conference and Wespath billing systems.

b) For any pastor going to a new appointment or with a new salary and benefits compensation package in 2027 after January 1 (on July 1 or any other date)

The District Superintendent, the new church's SPRC chair, and the pastor discuss and agree upon the salary and benefits package using the salary and benefits compensation worksheet. A special charge conference is scheduled to vote on the worksheet, prior to its effective date. After the vote, the salary and benefits compensation form is completed by the church online (as Charge Conference Form #3). The salary and benefits compensation form is automatically distributed to the correct District Office after it is digitally signed by the SPRC chair(s) and clergyperson. The District Office enters the information in the Conference's data collection system and verifies it matches the District Superintendent's approved version. The Conference's Benefits Manager retrieves the data and enters the information into the Conference and Wespath billing systems.

The Salary & Benefits process is not complete until

- the form is accurately completed online and signed by the SPRC Chair and the Clergy Member / Lay Person Assigned
- approved by the District Superintendent and the data entered into the Conference database
- the amounts verified by the Benefits Office, and
- billing of the local church begins

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Allowances vs Reimbursables

The way in which the pastor receives a payment determines whether it is part of their salary for purposes of calculating some clergy benefits, and what amount of their compensation is taxable. Each item on the salary form should be completed after identifying how the pastor receives the item.

- Items that are paid as ALLOWANCES to the pastor without a receipt are considered part of Adjusted Salary. When the Adjusted Salary is combined with the housing allowance or the parsonage allocation, the total is called "Plan Compensation". Plan Compensation is used to calculate:
  - Line i: Comprehensive Protection Plan (CPP) (3.1% of Plan Compensation)
  - Line j2: Compass Retirement Contribution (9% of Plan Compensation)
- Items that are paid as REIMBURSEMENTS following presentation of a receipt or DIRECT payment to vendors for services are not considered part of the Adjusted Salary.
- Deciding which items are ALLOWANCES and which are REIMBURSEMENTS/DIRECT PAYMENTS will change the church's contribution to the pastor's pension plan and will change the pastor's taxable income.
- For assistance in determining whether items are allowances or reimbursable expenses, including the recommendations and requirements for setting up a reimbursement account, refer to Appendix e GCFA Tax Packet and specifically "Acountable Reimbursement Policies Q&A" and sample policies and voucher.

Eligibility for Benefits

Eligibility for benefits and minimums is based on clergy relationship or LPA status, appointment %, number of churches in the appointment, and whether the individual has previously retired or not. Be sure to complete the correct form (3a, 3b, or 3c) based on membership status and whether the pastor is being paid by 1 or 2 salary paying units.

Completing the Worksheet

To successfully complete the worksheet, enter an answer in every gray box.

LINE-ITEM SPECIFIC INFORMATION FOR SALARY FORM COMPLETION

Complete section with the requested information. Instructions for certain sections are contained on the form itself.

Cash Salary, Allowances, and Reimbursables

Line a to Line d are for allowances paid without receipt only.

Line a—Cash Salary

This is the base salary before it is adjusted for tax purposes. For minimum salary schedules, please use the minimum compensation schedule for 2027 (Appendix b to the Charge Conference forms). Instructions for use of the optional Schedule Years Calculator are contained on the online Salary & Benefits form. For further information or assistance with this calculation, please contact your District Office or the Conference Benefits Manager. Clergy on less-than-full-time appointments may have a salary that is prorated to their appointment percentage.

Line b—Hawaii District Geographic Variant

For pastors appointed in the Hawaii district, a minimum of $1,200 geographical cost of living variant shall be provided annually by the local church.

Line c—Additional Salary in lieu of health insurance

This line may be used if additional taxable salary is paid to the pastor due to health insurance not being provided by the church. For example, the pastor may be covered for health insurance by a spouse's employer, or by the military. See addendum to this Guidelines document for additional information provided by Wespath about Employer Payment Plans for medical coverage. Any additional taxable salary provided in this section will be included in the pastor's Plan Compensation (Line 12) on which retirement and CPP contributions are calculated.

Under new federal legislation in effect January 1, 2017 (the 21st Century Cures Act), a church/small employer that does not offer a group health plan to any of its employees (including the pastor) may provide funds through a Health Reimbursement Account under a "qualified small employer health reimbursement arrangement" (QSEHRA). For more information about the guidelines and limitations of this law, please refer to the Legislative Update published by Wespath at http://www.calpacumc.org/QSEHRAUpdate.

Line d—Other Allowances (taxable) & Line e—Other Reimbursables (non-taxable)
The Conference's Minimum Compensation Standards include the following minimum standards for full-time appointments (see also Appendix b for more information):

- Continuing Education ($500)
- Automobile & Transportation ($3500 for single charges, $5250 for split appointments to 2 or more charges)
- Professional Expenses related to the performance of pastoral duties
- Annual Conference attendance expenses (recommended at least $1000 annually)
- Reasonable utilities expenses and a phone plan (either landline or cell phone)—if reimbursed or directly paid, include in Line e; if paid as allowance, including with line f1 (see below).

The total of Line d and Line e should be at least $4,000 and is recommended to be at least $5,000 + professional expenses + utilities (if reimbursed/directly paid).

Social Security Allowance (not applicable to LPA assignments)
(The following is not intended to be tax advice, and is provided as information only. For advice, and to receive further information, it is suggested that the church consult with a tax professional.)

Under **Social Security** rules, ministers are not eligible to split their Social Security tax with the employer. Social Security considers clergy to be self-employed, and as such, clergy are responsible for paying the full 15.3% SECA tax. A church may wish to assist their pastor with payment of half of the Social Security tax, in the same way they are required to do for non-clergy staff under FICA. However, the church may not, under Social Security rules, send money to Social Security on behalf of their pastor. The only way a church might be able to assist in this payment would be to budget a Social Security Allowance as a separate line item, and roll the amount into the compensated wages of the pastor. Since the IRS considers clergy not to be employees, they consider a Social Security Allowance to be additional taxable income that will roll into Box 1 on the W2 form. **Note that since a Social Security Allowance is additional taxable compensation, it is included in the pastor's Plan Compensation, on which retirement and CPP contributions are calculated.**

If your church provides a Social Security Allowance, it must be included as a taxable allowance in Line d.

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Church Contribution to Tax-Deferred 403(b) plans
A pastor's personal contribution to Compass, where the church deducts a contribution from the pastor's pay, is not an expense to the church and should not be recorded on the Salary & Benefits form. However, a church may choose to make a contribution to the pastor's retirement account in addition to the amount that it is already making. This contribution would be an expense to the church, but would not be included in the pastor's taxable income or plan compensation.

Contributions by the church as an employer contribution to any tax-deferred 403 (b) plan would be recorded on Line e for Reimbursables or Direct payments to vendors.

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Moving Expense Tax Assistance
Clergy who will be assessed federal taxes because of moving expenses due to appointment changes may be granted one-time allowances by their church or salary paying unit. Check with your District Superintendent if you plan to include this in the compensation package.

If your church provides a one-time assistance allowance to offset an increased federal tax burden because of a moving expense, it must be included as a taxable allowance in Line d.

Adjusted Salary
This is a total of all the items that make up a pastor's cash salary and is combined with housing to equal the total Plan Compensation on which retirement contributions and CPP premiums are calculated.

Housing

Housing is used in the calculation of retirement contributions and CPP premiums.

- **Line f1** is for a housing allowance paid to a pastor who does not live in a parsonage, and for clergy who receive compensation for utilities as allowances. See Appendix b for housing allowance guidance.
- **Line f2** is the value of housing that is assigned to a pastor who lives in a parsonage. The standard amount, as dictated by the terms of the plans designed by Wespath and adopted by General Conference, is **35%** of the adjusted salary (Line 10). **[Note this change from 25% to 35% on January 1, 2026.]**
- Because of the change in recording utilities for 2027 and moving forward, a pastor may have **both** a parsonage allocation and a housing allowance. **Both items are added to Plan Compensation.**

Plan Compensation

This is the figure from which retirement contributions and CPP premiums are calculated. It is arrived at by adding the Adjusted Salary, the Housing Allowance (Line f1), and the allocated Parsonage Value (Line f2).

Benefits

Lines g & h—Health & Dental Insurance

Conference rules require that all clergy receive health insurance at the cost of the church they serve. [2025 Journal Fiscal Rules XII.Q.5]. For clergy appointed full-time and three-quarter time, the church is responsible for the full amount of the premium cost for the clergy and family. For clergy appointed one-half time, the church is responsible for payment of one half of the premium cost for the clergy and family. For clergy appointed one-quarter time, the church is responsible for payment of one quarter of the premium cost for the clergy and family. Only the church's portion of the premium cost should be shown on the Salary & Benefits form.

If declining health insurance offered by the Conference and/or the church, the pastor must complete the health insurance declination form (CCF#24) available at www.calpacumc.org/chargeconference.

Lines g1 & g2—Conference-Sponsored Health and Dental Insurance Plans

For clergy enrolled in Conference-sponsored health plans,

- Health Insurance: enter the church's cost on Line g1. Contracted rates will be available and published in October as Appendix c (California) or Appendix d (Hawaii).
- Vision Insurance: Conference plans & rates include vision insurance premiums.
- Dental Insurance: Dental insurance is an optional benefit. The cost of the benefit should only be listed on Line g2 if the church has elected to pay for it. Contracted rates will be available and published in October as Appendix c (California) or Appendix d (Hawaii).

Important: Recording the premium on Line g1 of the Salary & Benefits form is separate from the enrollment and change process. If enrolling in the Conference health plan or making any changes in coverage, the church or pastor should use the Conference's Ease platform to complete appropriate enrollment/change forms and access submission instructions. For new employees (new clergy), the church must complete the CCF#27 Insurance Benefits Eligibility (#27) so that the employee can receive an invitation to Ease and enroll in benefits.

Lines h1 to h3—Church-Sponsored Health, Dental, and Vision Insurance Plans

For clergy enrolled in a small group health plan that is not sponsored by the conference, such as a plan under the Small Business Health Options Program (SHOP), enter the church's cost on Line h1, h2, and h3, as applicable.

Under the terms of the Affordable Care Act, employers may no longer place annual limits on benefits. The IRS has determined that stand-alone Health Reimbursement Accounts, Employer Payment Plans that reduce the employee's taxable wages in order to purchase individual health plans through the ACA Marketplace or on the private market, and other programs where employers reimburse employees for health insurance premiums paid by the employee or spouse to another sponsoring entity, such as a spouse's employer or the military, place limits on the benefit received. Therefore, these programs are no longer acceptable. For assistance, please consult a health insurance professional. For a referral, please call the Benefits Manager at (626) 568-7318. See the attached addendum for further information.

Line i—Comprehensive Protection Plan (CPP) (not applicable to LPA assignments)
CPP is the denominational death and disability program for clergy. All full-time elders, deacons and local pastors are eligible to and are required to participate in this benefit. In addition, all elders, deacons and local pastors appointed 75% are required to participate in this benefit, as adopted by the Conference Board of Pensions effective 1/1/17. Lay Persons Assigned (LPAs) are not eligible. The billing rate for **all these classifications is 3.1%** of Plan Compensation. **To obtain the CPP figure, multiply the plan compensation by 0.031.**

GENERAL INFORMATION ABOUT THE RETIREMENT PROGAM (COMPASS)

Compass is the pension plan that went into effect on January 1, 2026.

ELIGIBILITY

Required Participants: United Methodist clergy in full-time total appointments are required to participate if not previously retired.
Eligible Participants: United Methodist clergy in 3/4 (75%) or 1/2 (50%) total appointments are eligible to participate if not previously retired. Clergy from other denominations with appointments in a Conference church are also eligible to participate.
Not Eligible: United Methodist clergy in 1/4 (25%) or less total appointments are not eligible. Clergy who have previously retired are not eligible. Lay Persons Assigned are not eligible.

COMPASS COMPONENTS

Compass has three components: the clergy person's individual contribution, the fixed contribution (Line j1), and the percentage expense (Line j2).

1. **CLERGY INDIVIDUAL CONTRIBUTIONS:** The clergy person's individual contribution is not included in the salary & benefits package. Funds are deducted from payroll for the pastor and are funds remitted to the Conference Treasurer to be submitted to Wespath. The church will not receive a separate bill from Wespath for this purpose – this amount is billed by the conference.
   a. The default payroll deduction amount for 2027 is 5% of Plan Compensation. This 5% deduction is a 1% escalation for those clergy who had a 4% deduction in 2026. The change goes into effect on January 1, 2027.
   b. Clergy who wish to change their automatic payroll deduction in Compass to some other amount must complete an enrollment change form through Wespath. See Appendix e Compass Enrollment Change Instructions for more information.

2. **FIXED CONTRIBUTION (Line j1) (not applicable to LPA assignments)**
Each church with full-time appointed pastor(s) will contribute $1800/year ($150/month) to the pastor's retirement fund. This amount is pro-rated to $1,350 for clergy in 75% appointments and $900 in 50% appointments. This amount is billed to the church by the Conference.

3. **PERCENTAGE EXPENSE (Line j2) (not applicable to LPA assignments)**
Each church with appointed pastor(s) will contribute a total of 9% of Plan Compensation. This amount is billed to the church by the Conference. There are 3 components:
   a. Wespath requires each enrolled employer to contribute 3% of Plan Compensation to the clergyperson's future retirement.
   b. The Board of Pension & Health Benefits has determined that churches will contribute an additional 4% of Plan Compensation to match clergy contributions. If the clergyperson chooses a different amount to contribute, the church will continue to contribute 4%.
   c. The Conference assesses a 2% administrative fee of Plan Compensation to administer the program. This includes staff support. These expenses are not included in apportionments.
   d. To obtain the annual percentage expense in Line j2, multiply the plan compensation by 0.09.

In order to ensure that contributions into the pastors' accounts are made in a timely manner, the conference makes up-front contributions to Compass on behalf of the pastors. The conference then bills the churches in the amounts needed to cover these payments.

Total Salary & Benefits

This is a total of all items for which there is an expense to the church for the pastor's compensation and benefits. It does not include Parsonage Value.

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ADDENDUM A
Important Information on Employer Payment Plans for Medical Coverage

The Internal Revenue Service (IRS) and Department of Labor (DOL) issued guidance (DOL technical release 2013-03 and IRS **Notice 2013-54**) that may impact how your church funds medical coverage for some employees. The guidance states that, effective January 1, 2014, organizations may no longer directly pay premiums for an individual health insurance policy [a health insurance policy for an individual or family purchased directly from an insurance company (an "issuer") or through the Affordable Care Act's (ACA) Marketplaces (also called exchanges)] for an employee, nor reimburse an employee who purchases an individual health insurance policy. These arrangements are sometimes called "Employer Payment Plans" (EPPs) or stand-alone health reimbursement arrangements (HRAs).

Although Employer Payments Plans and stand-alone HRAs are no longer permitted for active employees, an employer can establish a payroll practice of forwarding post-tax employee wages to a health insurance issuer at the direction of the employee, if the arrangement satisfies a few other requirements:

- No contributions are made by the employer, i.e., the payment is part of the employee's taxable salary that is being forwarded by the employer to the insurance issuer.
- Participation in the program is completely voluntary for employees.
- The employer collects premiums through payroll deduction and remits them to the insurer without endorsing the program.
- The employer receives no consideration (e.g., cash) other than reasonable compensation for administrative services rendered to collect the premiums.

Government agencies have made it clear that employers could also violate the ACA by reimbursing employees for premiums employees paid to the issuer with dollars reported as taxable income. These taxable reimbursement arrangements would be considered employer group health plans and would also be prohibited under the ACA as violating the prohibition on annual dollar limits in a health plan. This latest guidance means that *the only way employers can assist their employees in paying for individual health insurance policies is through increased salaries or the above- described safe harbor salary-forwarding type arrangement*. While there have been Executive Orders issued that could change this, until agencies like the IRS, the Department of Labor and/or the Department of Health and Human Services decide to make a change, Wespath's position is that the orders themselves do not have any legal impact.

Local churches that rely on Employer Payments Plans to cover lay employees, deacons or full and part-time clergy should terminate those plans immediately. Continuing these plans risks Affordable Care Act (ACA) excise tax penalties to the local church, namely a penalty under Section 4980D of the Tax Code that levies a penalty of **$100 per day per affected employee** on the employer (e.g., the local church). This can amount to $36,500 annually per employee. Moreover, these arrangements, even if prohibited, would be considered "minimum essential coverage" under the ACA, and the local church would be required to submit year-end information reporting forms (*Forms 1095-B*) to the IRS related to the coverage for each employee. Failure to report minimum essential coverage (no matter how small an employer/plan sponsor is) can result in significant additional penalties to the employer.

Local churches that wish to continue providing financial assistance to help employees purchase individual health plans or policies through the ACA Marketplace or the private market still have a few options:

1. A local church can increase the employee's taxable wages, provided the church does not condition the wage increase on the purchase of insurance. This option also increases the employee's taxes and the church's payroll (FICA) taxes and has implications for other benefits, such as retirement benefits through the Clergy Retirement Security Program (CRSP) and United Methodist Personal Investment Plan (UMPIP), as well as denominational and conference average compensation (DAC and CAC).

2. A local church can establish a payroll practice of forwarding post-tax employee wages to a health insurance issuer at the direction of an employee, if the practice meets the following criteria:

   - No contributions are made by an employer.
   - Participation in the program is completely voluntary for employees.
   - The employer collects premiums through payroll deduction and remits them to the insurer without endorsing the program.
   - The employer receives no consideration (e.g., cash) other than reasonable compensation for administrative services rendered to collect the premiums.

3. A local church can adopt plans through the Small Business Health Options Program (SHOP) Marketplace for employees and provide a tax-free contribution toward coverage.

In addition, there are ACA restrictions on health flexible spending accounts (FSAs). Employees at local churches should not be provided a health FSA unless they have also been offered access to an employer group health plan, e.g., a small group market plan, SHOP plan or an annual conference plan that is sponsored, adopted or "participated in" by the local church.

Employers also can offer tax-free excepted benefits (such as employee assistance programs, dental and vision plans) to employees. Employers also can use deferred compensation arrangements [e.g., 403(b) plans, etc.] as a complementary approach to relying on the ACA Marketplaces.

If you have any questions, please contact the annual conference benefits office.

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