2027 Clergy Compensation Report Instructions

Purpose & Process
The Clergy Compensation Report is used to set the pastoral compensation for those under appointment to a church by the Bishop. This report ensures that pastors are receiving a salary consistent with EPA's equitable salary guidelines, as well as appropriate benefits based on conference relationship and appointment status. This report should be completed for each pastor under appointment even if the salary remains unchanged from the previous year. The compensation package is recommended by the SPRC and brought to the Church Council for approval prior to submission and action by the Charge Conference. The recommendation becomes final after action by the Charge Conference.

Minimum Salary
The Minimum Equitable Salary Guide can be found on the conference website here. This guide represents the minimum amount of a pastor's cash salary related to status and years of full time service. Pastors receiving their first full time appointment would move to level one on January 1st after having been appointed for a complete appointment year. For example, a pastor receiving their first full time appointment on July 1, 2026, would move to level one on January 1, 2028.

Important: Clergy With Multiple Appointments
For clergy appointed to more than one church, all appointments must be included in the same compensation report. On the initial page of the report, input the total combined amounts for all appointments such as salary, housing allowance, etc. For example, report the combined cash salary from Church 1 plus Church 2. After the initial page is completed, the following page will ask for the individual breakdown of each church's responsibility for applicable fields. A separate report cannot be created for each appointment. Each church will have the ability to view and edit the report.

Compensation Start Date
The effective date for changes in compensation is January 1 of the new year, except in the case where there is a change either in the pastor's status or appointment at some other date (for example, if a new appointment takes effect on July 1, then the compensation start date would also be July 1). The end date of the compensation is December 31 unless the appointment ends earlier.

Clergy Status
Select the pastor's current overall conference relationship (e.g., Full Elder, Deacon in Full Connection, Provisional Elder, Supply Pastor, etc.). If a local pastor serving multiple appointments, enter the conference relationship that reflects their total appointment status, not the status of an individual appointment. For example, if a local pastor serves two appointments at 50% time each, for a total of 100%, select Full Time Local Pastor, not Part Time Local Pastor. If you are uncertain of the clergy person's conference relationship, please consult the clergy appointment memo or confirm the information with the clergy person or District Superintendent.

Total Percentage of Time Served at All Churches
Enter the pastor's total combined appointment percentage time for all churches. For example, if a pastor is serving two churches each at 50% time, enter 100%. The report is reflective of all a pastor's appointments. Individual amounts paid per church will still be noted.

Your Conference
Select the conference in which the pastor is currently serving.

Church
All churches to which the pastor is currently appointed should automatically appear on the report. If an appointment is missing, please add it using the dropdown menu and notify your Regional Administrator so the database can be updated. All current appointments must be included in the report.

Line-by-Line Report Instructions

SALARY (Lines 1-4)
Report combined total amounts from all church appointments.

1. Cash Salary
If appointed to more than one church, report the total combined salary of all churches. You will be able to input individual church splits later in the report. The cash salary is recommended and approved by the SPRC and Church Council and is funded by local church resources. This line must include any grants awarded to support compensation, such as equitable, supplemental, regional, or similar grants. It is extremely important to ensure these grants are included as plan compensation for pension calculation purposes. Your District Superintendent will advise on any grants awarded.

2. Taxable Cash Allowance
Enter the amount designated for non-vouchered expenses. A taxable cash allowance is an amount paid to the clergy person without requiring an accounting of how the money was spent or without requiring supporting IRS documentation. Note that this is taxable income. For multiple appointments, include the combined total cash allowance of all churches. Church splits will appear on the next page.

3. Is the clergyperson living in the parsonage or do they receive a cash housing allowance?
Select if the pastor has a parsonage or receives a housing allowance. If neither, select pastor provides own housing.

- **3a. Parsonage Value for Pension Purposes**
  If parsonage is selected, 35% (with a minimum of $10,000) of salary will populate.
- **3b. Housing Allowance**
  If receiving a housing allowance, enter the total combined amount from all churches.

4. Total Cash Salary
This line will automatically calculate the total of **Cash Salary (1)** plus **Taxable Cash Allowance (2)** plus **Housing Allowance (3b)**

PRE-TAX OR TAX SHELTERED SALARY ITEMS (Lines 5-9)

Use this section to list the tax sheltered portion of the salary reported on Line 4. Any tax-sheltered designations do not increase the church's financial responsibility but are a deduction from the pastor's cash compensation. These items should not be reported in Form W-2 Box 1 as taxable income.

5. Would you like to waive all Compass benefits?

Select yes to waive or no to not waive. This includes required, matching, flat dollar, and personal contributions (before-tax, Roth, and after-tax). Full time clergy cannot waive Compass contributions. Part time clergy may waive employer and employee contributions.

5a. Would you like to waive church contributions only?

Select yes to waive or no to not waive. This only applies to part time clergy. This includes required, flat dollar, and matching only. You may still enter personal contributions (before-tax, Roth, and after-tax).

6. Which method would you like to use to report your before-tax Compass withholding?

Pastors have the option to choose a percentage or a flat dollar amount for their personal Compass elections. A percentage is preferrable for ease of future auto-escalation increase of 1% per year (up to 10%) as approved by the Board of Pension and Health Benefits. As a reminder, pastors may make their elections directly on the Benefits Access portal at www.benefitsaccess.org. Pastors may also choose to auto-escalate or deselect auto-escalation. The percentage entered should be based on the total plan compensation, including salary and either the parsonage amount or the housing allowance, whichever applies.

Select percentage or flat dollar amount. In selecting one of these options, an additional field will populate: Clergy's Percentage for Compass Retirement Plans. Enter the amount you intend to contribute toward your personal election. Your compensation (including the value of any parsonage or housing allowance) will be reduced before withholding taxes are calculated. When you receive distributions, your before-tax contributions and earnings will be taxable.

If flat dollar amount is selected:

- **6a. Before-Tax Deferred Compass Retirement Contribution**
  If a new employer or election, a Contribution Election Form must also be completed. Withheld from salary shown in **Total Cash Salary (1)** above. Report in W-2 Box 12, Code E.

If percentage is selected:

- **6b. Clergy's Percentage for Compass Retirement Plans**
  Input numbers only, not the % symbol. Calculation is based on **Pension Plan Compensation (16)**.

- **6c. Annual Clergy Compass Before-Tax Contribution**
  If a new employer or election, a Contribution Election Form must also be completed. Withheld from salary shown in **Total Cash Salary (1)** above. Report in W-2 Box 12, Code E.

7. Other Tax-Deferred IRS Section 403(b) Investment

This line is for retirement savings withheld from salary and paid to a plan other than Compass, such as a 403(b). Report in W-2 Box 12, Code E.

8. Housing Exclusion

A Housing Exclusion is an amount excluded from the pastor's taxable income for any amount spent on maintaining or furnishing the pastor's home. This is a dollar amount designated by the clergy person and approved by the local church to provide a tax shelter for housing-related expenses (pastor pays SECA tax). A housing exclusion is meant to defray costs incurred by clergy which directly relate to providing a home for self and family including, as applicable, any and all of the following: rent, mortgage payments and interest, furnishings, insurance, real estate taxes, utilities, maintenance and upkeep, and any other expenses directly associated with the provision of housing.

Allowable expenses do not include personal items such as food, clothing, entertainment, and domestic help. Any amount designated that is not spent must be added into the taxable amount by the pastor at the time of filing his/her taxes. A housing exclusion may not be done retroactively. Pastors should consult their accountant to determine how to calculate exclusions. More information on a Housing Exclusion on Wespath. Note: Please try to adhere to denominational standards. While the housing allowance is known to be non-taxable, completing the Housing Exclusion Resolution adds another layer of IRS security.

9. Total Pre-Tax or Tax Sheltered Items

This line will automatically calculate the total of lines 5-9.

TAXABLE SALARY ITEMS (Line 10-13)

Report first two items in W-2 Box 1.

10. Which method would you like to use to report your Roth Compass withholding?

Indicate the percentage or flat dollar amount that you elect to have withheld from your compensation as a Roth contribution. Your compensation (including the value of any parsonage or housing allowance) will be reduced after withholding taxes are calculated. When you receive distributions, your qualified Roth distributions are non-taxable. See Retirement Contribution Limits & Impact on Wespath for more information.

If flat dollar amount is selected:

- **10a. Roth Compass contribution**
  If a new employer or election, Contribution Election Form must also be completed. Withheld from salary shown in **Total Cash Salary (1)** above.

If percentage is selected:

- **10b. Clergy's Percentage for Roth Compass Retirement Plan**
  Input numbers only, not the % symbol. Calculation is based on **Pension Plan Compensation (16)**.
- **10c. Annual Clergy Compass Roth Contribution**
  If a new employer or election, Contribution Election Form must also be completed. Withheld from salary shown in **Total Cash Salary (1)** above.

11. Which method would you like to use to report your after-tax Compass withholding?

Indicate the percentage or flat dollar amount that you elect to have withheld from your compensation as an after-tax contribution. Note that in most cases a Roth contribution will be more beneficial for a participant than an after-tax contribution. See the Roth Contribution Guide on Wespath for more information. Your compensation (including the value of any parsonage or housing allowance) will be reduced after withholding taxes are calculated. When you receive distributions from Compass, your after-tax contributions are non-taxable, but earnings are taxable.

Please note that if you select to waive Compass completely in the Pre-Tax or Tax Sheltered Salary Items section above (lines 5-5a), it will impact your option to select a Roth or an after-tax contribution. Part time clergy may only waive the church contribution and may still contribute a personal contribution.

If flat dollar amount is selected:

- **11a. After-Tax Compass Retirement Contribution**
  If a new employer or election, Contribution Election Form must also be completed. Withheld from salary shown in **Total Cash Salary (1)** above.

If percentage is selected:

- **11b. Clergy's Percentage for After-Tax Compass Retirement Plan**
  7Input numbers only, not the % symbol. Calculation is based on **Pension Plan Compensation (16)**.
- **11c. Annual Clergy Compass After-Tax Contribution**
  If a new employer or election, Contribution Election Form must also be completed. Withheld from salary shown in **Total Cash Salary (1)** above.

12. Expenses Paid Directly by the Local Church Not Included Above
These are expenses paid directly by the local church on behalf of the pastor, including reimbursements to the pastor for social security payments, auto expenses including auto insurance and lease payments, club memberships, children's scholarships, health insurance premiums for non-Conference health plans, etc. **The details of these expenses must be outlined in a written agreement between the pastor and the local church.**

13. Total Taxable Salary Items
This line will automatically calculate the total of lines 10-13.

BENEFITS (NON-TAXABLE) (Lines 14-22)

14. Would you like to waive out of the HealthFlex Plan?
This is the Conference health plan. Clergy should select yes to waive or no to not waive. If waiving, a waiver form will appear later in the form to be completed and uploaded. Clergy serving 75% total appointment time or greater cannot waive. Clergy serving a total appointment time of 50% or less are not eligible.

15. Health Insurance Premium for Conference Plan
Enter the composite rate. If appointed to multiple churches, enter the average composite rate for all churches. The composite rate is a fixed premium amount established by the Conference and applies to all participants, regardless of coverage level. The church(es) is responsible for paying 100% of the composite rate even if the pastor's appointment is less than full time.

In multi-church appointments, each church must be billed for its share of the composite rate based on the appointment percentage. This procedure ensures accuracy, fairness, and consistency across all appointments within the Eastern Pennsylvania Conference. The split of composite rate between the churches will be indicated on a separate page while completing the compensation report.

16. Pension Plan Compensation
This line will populate automatically. It reflects plan compensation and is used for pension if eligible. This amount equals **Cash Salary (1)** plus **Housing Allowance (3b)** or **Parsonage Value (3a)**, if provided.

17a. Compass Required Contributions
The Compass required local church contribution is based on 3% of the pastor's compensation (compensation includes **Cash Salary (1)** plus **Housing Allowance (3b)** or **Parsonage Value (3a)**, whichever applies). This line will automatically calculate. The amount on this line represents the annual required church contribution in the Compass plan that will be billed from the Conference to the local church.

Pastors serving full time, 75% time, or 50% time are eligible for Compass. Pastors serving less than full time may waive out of Compass. If waiving out, you must toggle the waive option to yes (lines 5-5a).

The amount in this line does not directly correspond to the amount that is credited to the pastor's pension account with Wespath Benefits and Investments. Administration and uncollectable fees are included within this line item. More information on Compass is available on Wespath.

17b. Compass Matching Contribution
Under the new Compass pension plan, local churches are required to contribute a $1 for $1 match on up to 4% of the pastor's compensation. In addition to payroll contributions, Compass includes a "student loan" provision. Many clergy carry student loan debt, which can make it difficult to pay back the loan and contribute to their retirement account. To address this, through Compass, the UMC provides matching contributions up to 4% of compensation based on qualified educational loan payments made by clergy. In other words, the plan matches student loan payments as if they were participant contributions into Compass. Please note: If you waive your Personal and/or Church Compass Contribution, the matching component will automatically zero out.

17c. Compass Retirement Sponsor Flat Dollar Contribution
Full time $1,805, 75% time $1,355, and 50% time $905. Increases 2% annually. The Flat Dollar Contribution is a standard church contribution toward pension annually at $150.42 per appointment month. This amount coincides with the total appointment percentage.

18. Mandatory Health Care
This is the Hartford life insurance, a stand-alone Employee Assistance Plan. Only those with a 75% time or greater are eligible. A $60 annual amount will be automatically added. Amount will be split proportional to the salary split for multiple appointments.

19. Comprehensive Protection Plan (CPP)
CPP provides death benefits, long-term disability income replacement, and certain other survivor benefits for eligible clergy of The United Methodist Church and their families. This line will automatically calculate. The 2027 rate is 3% of the **Pension Plan Compensation (16)**. Pastors serving full time or 75% time are eligible. Part Time Local Pastors and Student Local Pastors are not eligible. The amount on this line represents the annual premium that will be billed from the Conference to the local church. Administration and uncollectable fees are included within this line item. More information on CPP is available on Wespath.

20. Would you like to waive UMPIP personal contribution of 1% of plan compensation?
This line represents the personal contribution to UMPIP. This benefit is available to pastors serving 25% time or less that are not eligible to receive Compass. If not waiving out, the next line will automatically calculate at 1% of the **Pension Plan Compensation (16)**. The amount on the next line represents the personal contribution amount. More information on UMPIP is available on Wespath. Clergy wishing to waive out of UMPIP must toggle the waive option to yes.

- **20a. UM Personal Investment Plan (UMPIP)**
  If the clergy did not waive out of UMPIP, this line will automatically calculate at 1% of the **Pension Plan Compensation (16)**.

21. Other Non-Taxable Benefits
Indicate on this line any other non-taxable benefits you are paying for your pastor. The details of these benefits should be outlined in a written description and submitted to your District Superintendent.

21a. Benefits Administration & Uncollectible Fee
This will appear on the remittance in January 2027. This fee covers expenses for all benefit programs administration expenses as well as connectional support for collections shortfall. The rate is set at 1.6% of clergy compensation. The fee will automatically generate for clergy serving 50% time or greater. Amount will be split proportional to the salary split for multiple appointments.

22. Total Benefits Cost
This line will automatically calculate the total of lines 14-22, as applicable.

REIMBURSED BUSINESS EXPENSES (NON-TAXABLE) (Line 23)
These are operating expenses of the church, not salary. Full time pastors must receive a minimum of $2,500. An accountable reimbursement plan is not a salary reduction item (tax sheltered). A reimbursement assumes that the employer (church) is paying for the employee's (pastor) business expenses out of its own funds. When an employer pays an employee for their business expenses through a salary reduction, it is the employee and not the employer that is paying for the expenses. Reimbursements paid through a salary reduction agreement would be taxable to the employee. For a reimbursement plan to be accountable, the employee must submit proper documentation of the expense in a timely manner (no more than 60 days after the expense).

23. Total Reimbursed Business Expenses
Enter the amount of reimbursed expenses. If serving multiple appointments, enter the total combined amount for all churches.

OPTIONAL: GRANTS BREAK-OUT SECTION (Lines 24)
If receiving a grant, enter the amount for the applicable grant(s).

24a. Equitable Compensation Grant

24b. Salary Supplement Grant

24c. Other Grant

24. Total Grants
This line will automatically calculate the total of lines 28-30.

CHURCH BUDGET IMPACT (Line 25)

25. Church Budget Impact

This line will automatically calculate **Total Cash Salary (4)** plus **Total Benefits Cost (22)** minus **Total Grants (24)**. This amount represents the church's overall financial commitment for this appointment year.

ADDITIONAL SECTIONS AT THE BOTTOM OF THE REPORT

- Housing Exclusion Resolution
- Waiver forms, if applicable