

## **SAMPLE POLICIES AVAILABLE IN THE DISTRICT OFFICE**

These policies and procedures are graciously made available by other district churches. Please email Liz Bode at [grdistrict@wmcumc.org](mailto:grdistrict@wmcumc.org) for the sample policies or procedures you desire.

Child Protection Policy

Sexual Harassment Policy

Staff Personnel Handbook

Sample Job Descriptions

Computer Use Policy

Complaint Procedure

Evaluation forms for lay staff

Sample Employment Letter

Procedures for Hiring Lay Staff

Progressive Discipline Policy and Form

Renewal Leave Policy and Application Form for Lay Staff

Sample Parsonage Covenant

Sample Financial Procedures/Counting the Offering

## **Staff Parish Relations Committee Checklist 2011: Grand Rapids District SPRC Training**

### **Know your purpose and role in the life of the church**

- Thoroughly read paragraph 258.2 in *The 2008 Book of Discipline*
- Meet regularly!!!! You cannot do effective work if you don't meet.
- Make sure you have 3 years terms and the right make-up of members
- Undergirding all of your work is confidentiality

### **Annually**

#### **For the pastor:**

- Complete pastor-charge assessment
- Complete church profile
- Complete compensation form
- Provide adequate funds for continuing education, travel and professional reimbursements
- Work with the pastor(s) on setting goals in conjunction with the church's mission statement
- Do a walk-through of the parsonage every year

#### **For the staff:**

- Complete written evaluations for each staff member, including goals for the coming year
- Meet individually with each staff member at least once
- Make decisions about compensation for each staff member
- Assign a SPRC liaison for each staff member
- Provide adequate funds for continuing education for staff members

### **Ongoing**

- Develop and keep updated a Personnel Handbook, including vacation, holidays, sick pay, short term and long term disability, benefits
- Health insurance for all full-time employees is highly recommended
- Pension for all employees 20 hours and over is recommended in *The Book of Discipline*
- Child protection policy
- Sexual harassment policy
- Computer use policy
- Complaint procedure
- Renewal leave policy for lay staff
- Have current written job descriptions for every staff member
- Make an organizational chart for staff – every staff member needs an immediate supervisor (in smaller churches, the pastor is usually the supervisor for all staff)
- Develop a process for identifying the need for new staff

### **Hiring practices:**

- Develop an accurate job description
- Decide if you will hire within the church

- Decide where you will advertise
- Decide who will be part of the interview process
- Contact all those you choose not to interview and all those you interview but choose not to hire
- Do a background check on all staff you wish to hire
- Write a “contract letter” for each new hire, stating compensation, benefits and who their supervisor is
- Introduce the staff member to the congregation.
- Develop procedures for termination of staff members
- Have an exit interview whenever a staff member leaves

#### **Parsonages:**

- Inspect the parsonage, along with the Trustees, every year
- Dialogue regularly with the pastor about parsonage needs
- Take care of repairs in a timely way
- Consider adopting a written parsonage covenant between the pastor, Trustees and SPRC

#### **Candidates for ministry:**

- Cultivate a culture of call in your congregation
- Meet at least once a year with declared candidates for ministry
- Ask for a written statement of call from the candidate before recommending him/her to the church conference for certification
- Recommend continuance of certification yearly until the candidate is commissioned or becomes a local pastor

#### **Lay Speaking**

- Publicize the lay speaking classes and encourage church members to become lay speakers
- Annually recommend lay speakers for continuance to the church conference
- Use your lay speakers!!!

#### **When there is a pastoral transition:**

- Plan ways to recognize and celebrate the outgoing pastor’s ministry
- Plan to formally welcome the new pastor and family
- Compile helpful materials about the church and community for the new pastor
- Make necessary parsonage improvements
- Interpret to the congregation good etiquette around pastoral transitions

#### **Miscellaneous**

- Encourage your pastor to consider taking a renewal leave (they must have had a full-time appointment for the past 6 years)
- Offer support to pastor, spouse and children in creative ways.
- Call or email me if you have questions or desire sample policies.

## SPRC Training FAQs and Overall Purpose 2011

1. It's all about relationships. Taking time to build them in the absence of tension, questions, and conflict will help you care for each other when they do arise.
2. Encouragement and communication will go a long way in building trust and creating a climate and processes for healthy functioning relationships.
3. Document, document, document. Put plans, expectations, remedial steps, decisions, dollar amounts, time frames, concerns, solutions etc. in writing and appropriately filed.
4. Be firm, fair, and factual when addressing chronic issues that need a clear resolution, especially one that may result in dismissal of an employee.
5. "I/we have some concerns about the pastor and I/we want you to take care of it, but don't tell him/her we talked to you about it." This is NOT Biblical! See Handout on Conflict and the use of Matthew 18.
6. Secret = "just you and I know;" Confidential = "Those who have a need to know and can be part of the solution have a right to know."
7. "How much time does our pastor get to have off? Pages 66-68
8. "Do we have to reimburse the pastor for .....?" Pages 36-51
9. "Who gets to decide how the Discretionary Fund is spent?" Pages 52-56
10. "So and so is related to an employee, can they be on the committee?" "No." ¶258.2a (page 180) of the *Book of Discipline of the UMC – 2008*.
11. The Book of Discipline now allows a person on the SPRC to serve a second 3-year term. Currently a person is not allowed to serve consecutive terms.
12. "Can we meet without the pastor?" "Yes and No" See ¶259.2e (page 181) of the *Book of Discipline of the UMC – 2008*. "The committee shall meet only with the knowledge of the pastor and/or the district superintendent."
13. "The Church Council Chair is entitled to attend meetings of all committees and boards unless specifically limited by the *Book of Discipline* (¶251). Can they attend SPRC? "Yes, to share information/insight, however, (NO) they would then be excused for the deliberation of the Committee (See ¶258.2e "...The committee shall meet in closed session and all information shared shall be confidential.")
14. Remember every situation as has at least two sides to the story and likely includes a mistake/failure/weakness on the part of individuals and the congregation and the pastor.

## Responsibilities of the SPRC Committee

spiritual leadership for the local congregation. Members of the committee shall engage in and be attentive to developing and enhancing their own Christian spiritual life in light of the mission of the Church (Part V, Chapter One, Section 1).

In conducting its work, the committee shall engage in biblical and theological reflections on the mission of the church, the primary task, and ministries of the local church. It shall provide a means of identifying the spiritual gifts and abilities of the membership. The committee shall work with the church council, or alternative administrative bodies, to determine the diverse ministry tasks of the congregation and the skills needed for leadership.

a) The committee on lay leadership shall serve throughout the year to guide the church council, or alternative structure, on matters regarding the leadership (other than employed staff) of the congregation so as to focus on mission and ministry as the context for service; guide the development and training of spiritual leaders; recruit, nurture, and support spiritual leaders; and assist the church council, or alternative structure, in assessing the changing leadership needs.

b) The committee shall recommend to the charge conference, at its annual session, the names of people to serve as officers and leaders of designated ministries of the church council, or alternative administrative body required for the work of the church and as the law of the church requires or as the charge conference deems necessary to its work.

c) This committee is to be composed of not more than nine persons, in addition to the pastor and the lay leader. At least one young adult elected by the charge conference shall serve as a member of the committee. One or more members elected by the charge conference may be youth. The pastor shall be the chairperson. A layperson elected by the committee on lay leadership shall serve as the vice chairperson of the committee.

d) In order to secure experience and stability, the membership shall be divided into three classes, one of which shall be elected each year for a three-year term. To begin the process of rotation where such has not been in place, in the first year, one class shall be elected for one year, one class for two years, and one class for three years. Each year's new class, and vacancies at the time of charge conference, shall be elected from nominees, from the floor of the charge conference and/or through the recommendation of the committee on lay leadership. Retiring members of the committee shall not succeed themselves.

Only one person from an immediate family residing in the same household shall serve on the committee. When vacancies occur during the year, nominees shall be elected by the church council, or alternative church structure, with the permission of the district superintendent.

e) In the identification and selection process, care shall be given that the leadership of ministries reflects inclusivity and diversity.

2. There shall be elected annually by the charge conference in each local church a committee on pastor-parish relations or staff-parish relations who are professing members of the local church or charge or associate members (¶ 227), except in cases where central conference legislation or local law provides otherwise. People serving on this committee must be engaged in and attentive to their Christian spiritual development so as to give proper leadership in the responsibilities with which the committee is entrusted.

In conducting its work, the committee shall identify and clarify its values for ministry. It shall engage in biblical and theological reflections on the mission of the church, the primary task, and ministries of the local church.

The committee shall reflect biblically and theologically on the role and work of the pastor(s) and staff as they carry out their leadership responsibilities. The committee shall assist the pastor(s) and staff in assessing their gifts and setting priorities for leadership and service. It is the responsibility of the committee to communicate with the committee on lay leadership and/or the church council when there is a need for other leaders or for employed staff to perform in areas where utilization of the gifts of the pastor(s) and staff proves an inappropriate stewardship of time.

a) The committee shall be composed of not fewer than five nor more than nine persons representative of the total charge. One of the members shall be a young adult and one member may be a youth. In addition, the lay leader and a lay member of the annual conference shall be members. No staff member or immediate family member of a pastor or staff member may serve on the committee. Only one person from an immediate family residing in the same household shall serve on the committee.

b) In order to secure experience and stability, the membership shall be divided into three classes, one of which shall be elected each year for a three-year term. The lay member of the annual conference and the lay leader are exempt from the three-year term. To begin the process of rotation where such a process has not been in place, on the

first year one class shall be elected for one year, one class for two years, and one class for three years. Retiring members of the committee shall not succeed themselves. When vacancies occur during the year, nominees shall be elected at the church council (or alternative church structure).

c) In those charges where there is more than one church, the committee shall include at least one representative from each local church.

d) The committees on pastor-parish relations of charges that are in cooperative parish ministries shall meet together to consider the professional leadership needs of the cooperative parish ministry as a whole.

e) The committee shall meet at least quarterly. It shall meet additionally at the request of the bishop, the district superintendent, the pastor, any other person accountable to the committee, or the chairperson of the committee. To fulfill his or her obligation under ordination, his or her connective responsibility under appointment, and his or her duty as a pastor, the pastor should be present at each meeting of the committee on pastor-parish relations or staff-parish relations except where he or she voluntarily excuses himself or herself. The committee shall meet only with the knowledge of the pastor and/or the district superintendent. It may meet with the district superintendent without the pastor being present. However, the pastor or any member of the staff under consideration shall be notified prior to such meeting at which a pastor's or clergy staff member's continued appointment or a lay staff member's employment is discussed and be brought into consultation immediately thereafter. The committee shall meet in closed session, and information shared in the committee shall be confidential.

f) In the event that only one congregation on a charge contains more than one church has concerns it wishes to share, its member(s) in the committee may meet separately with the pastor or any other person accountable to the committee or the district superintendent, but only with the knowledge of the pastor and/or district superintendent.

g) The duties of the committee shall include the following:

- (1) To encourage, strengthen, nurture, support, and respect the pastor(s) and staff and their family(s).
- (2) To promote unity in the church(es).
- (3) To confer with and counsel the pastor(s) and staff on the matters pertaining to the effectiveness of ministry; relationships with

the congregation; conditions that may impede the effectiveness of ministry; and to interpret the nature and function of the ministry.

(4) To confer with, consult, and counsel the pastor(s) and staff on matters pertaining to priorities in the use of gifts, skills, and time and priorities for the demands and effectiveness of the mission and ministry of the congregation.

(5) To provide evaluation at least annually for the use of the pastor(s) and staff in an ongoing effective ministry and for identifying continuing educational needs and plans.

(6) To communicate and interpret to the congregation the nature and function of ministry in The United Methodist Church regarding open itinerancy, the preparation for ordained ministry, and the Ministerial Education Fund.

(7) To develop and approve written job descriptions and titles for associate pastors and other staff members in cooperation with the senior pastor. The term *associate pastor* is used as a general term to indicate any pastoral appointment in a local church other than the pastor in charge (see ¶ 339). Committees shall be encouraged to develop specific titles for associate pastors that reflect the job descriptions and expectations.

(8) To consult with the pastor and staff concerning continuing education and spiritual renewal, to arrange with the church council for the necessary time and financial assistance for the attendance of the pastor and/or staff at such continuing education and spiritual renewal events as may serve their professional and spiritual growth, and to encourage staff members to seek professional certification in their fields of specialization.

(9) To enlist, interview, evaluate, review, and recommend annually to the charge conference lay preachers and persons for candidacy for ordained ministry (see ¶¶ 247.8 and 310), and to enlist and refer to the General Board of Global Ministries persons for candidacy for missionary service, recognizing that The United Methodist Church affirms the biblical and theological support of persons regardless of gender, race, ethnic origin, or disabilities for these ministries. Neither the pastor nor any member of the committee on pastor-parish relations shall be present during the consideration of a candidacy application or renewal for a member of their immediate family. The committee shall provide to the charge conference a list of students from the charge who are preparing for ordained ministry, diaconal ministry, and/or missionary service, and shall maintain contact with

these students, supplying the charge conference with a progress report on each student.

(10) To interpret preparation for ordained ministry and the Ministerial Education Fund to the congregation.

(11) To confer with the pastor and/or other appointed members of the staff if it should become evident that the best interests of the charge and pastor(s) will be served by a change of pastor(s). The committee shall cooperate with the pastor(s), the district superintendent, and the bishop in securing clergy leadership. Its relationship to the district superintendent and the bishop shall be advisory only.<sup>9</sup> (See ¶¶ 430-433.)

(12) To recommend to the church council, after consultation with the pastor, the professional and other staff positions (whether employee or contract) needed to carry out the work of the church or charge. The committee and the pastor shall recommend to the church council a written statement of policy and procedures regarding the process for hiring, contracting, evaluating, promoting, retiring, and dismissing staff personnel who are not subject to episcopal appointment as ordained clergy. Until such a policy has been adopted, the committee and the pastor shall have the authority to hire, contract, evaluate, promote, retire, and dismiss nonappointed personnel. When persons are hired or contracted, consideration shall be given to the training qualifications and certification standards set forth by the general Church agency to which such positions are related. The committee shall further recommend to the church council a provision for adequate health and life insurance and severance pay for all lay employees. In addition, the committee shall recommend that the church council provide, effective on and after January 1, 2006, 100 percent vested pension benefits of at least three percent of compensation for lay employees of the local church who work at least 1040 hours per year, are at least 21 years of age, and have at least one year of permanent service. The church council shall have authority to provide such pension benefits through either a denominational pension program administered by the General Board of Pension and Health Benefits or another pension program administered by another pension provider.

(13) To recommend to the charge conference, when the size of the employed staff of the charge makes it desirable, the establishment

9. See Judicial Council Decision 701.

of a personnel committee. This committee shall be composed of such members of the committee on pastor-parish relations as it may designate and such additional members as the charge conference may determine.

(14) To educate the church community on the value of diversity of selection in clergy and lay staff and develop a commitment to same.

(15) Members of the committee on pastor-parish relations (or staff-parish relations) shall keep themselves informed of personnel matters in relationship to the Church's policy, professional standards, liability issues, and civil law. They are responsible for communicating and interpreting such matters to staff. Committee members should make themselves available for educational and training opportunities provided by the conference, district, and/or other areas that will enable them to be effective in their work.

(16) To consult on matters pertaining to pulpit supply, proposals for compensation, travel expense, vacation, health and life insurance, pension, housing (which may be a church-owned parsonage or housing allowance in lieu of parsonage if in compliance with the policy of the annual conference), and other practical matters affecting the work and families of the pastor and staff, and to make annual recommendations regarding such matters to the church council, reporting budget items to the committee on finance. The parsonage is to be mutually respected by the pastor's family as the property of the church and by the church as a place of privacy for the pastor's family. The chairperson of the committee on pastor-parish relations, the chairperson of the board of trustees, and the pastor shall make an annual review of the church-owned parsonage to assure proper maintenance.

3. There shall be a board of trustees, whose membership and duties are detailed in ¶¶ 2524-2551.

4. There shall be a committee on finance, elected annually by the charge conference upon recommendation by the committee on lay leadership or from the floor, composed of the chairperson; the pastor(s); a lay member of the annual conference; the chairperson of the church council; the chairperson or representative of the committee on pastor-parish relations; a representative of the trustees to be selected by the trustees; the chairperson of the ministry group on stewardship; the lay leader; the financial secretary; the treasurer; the church business administrator; and other members to be added as the charge conference may determine. It is recommended that the chairperson of

## Resources (available from [www.cokesbury.com](http://www.cokesbury.com))

### *Relationships and Responsibilities of Staff Parish Relations Committee:*

#### **Candidacy**

*The Book of Discipline* (§§304, 310-314)

*The Christian As Minister* (Cokesbury #804294)

*The Ministry Inquiry Process* (Book and Video, DOM)

#### **Pastor/Staff: Support and Accountability**

Guidelines for Hiring a Professional Staff Person (Cokesbury HE4050)

Guidelines for Developing Church Personnel Policies (Cokesbury HE4055)

Guidelines for Developing Church Job Descriptions (Cokesbury HE4056)

*Meeting God at the Boundaries: Cross-Cultural/Cross-Racial Clergy Appointments* (Cokesbury)

*Meeting God at the Boundaries: Cross-Cultural/Cross-Racial Clergy, A Manual for Church Leaders* (Cokesbury)

*Watching Over One Another in Love: A Wesleyan Model for Ministry Assessment* (Cokesbury)

#### **Congregational Covenants**

*Safe Sanctuaries: Reducing the Risk of Child Abuse in the Church* (Cokesbury)

*Safe Sanctuaries: Reducing the Risk of Abuse in Youth Ministries* (Cokesbury)

*The Buck Stops Here* by Mary Logan (Cokesbury)

Engage Conflict Well ([www.justpeaceumc.org](http://www.justpeaceumc.org))

*Watching Over One Another in Love: A Wesleyan Model for Ministry Assessment* (Cokesbury)

# Resources

## Resources for Pastor/Staff Parish Relations Committee

- Holy Bible (there are many translations)
- *The Book of Discipline of The United Methodist Church* (Nashville, The United Methodist Publishing House, 2004).
- *Lay Speakers Are Servant Leaders*, by Thomas R. Hawkins (Nashville: Discipleship Resources, 1999. ISBN 0-88177-254-2).
- **Understanding The United Methodist Church**
- *A Brief History of The United Methodist Church* (Nashville: Discipleship Resources, 1996. ISBN 0-88177-256-9).
- *A Brief Introduction to the Book of Discipline*, by Branson L. Thurston (Nashville: Discipleship Resources, 1998. ISBN 0-88177-243-7).
- *Lay Speakers Interpret to Others our United Methodist Heritage*, by Chester E. Custer (Nashville: Discipleship Resources, 2001. ISBN 0-88177-380-8).

## Job Descriptions, Legal and Ethical Responsibilities

- *The Buck Stops Here*, by Mary Logan (Nashville: Discipleship Resources, 2000. ISBN 0-88177-306-9).
- Frequently Asked Questions on clergy compensation and hiring lay employees. See Pastors and local church documents on the GCFA Web site at <http://www.gcfa.org>.
- *Guidelines for Developing Church Job Descriptions*, The General Board of Higher Education and Ministry, free download from <http://www.gbhem.org/ResourceLibrary/HE4056.pdf>.
- *Guidelines for Developing Church Personnel Policies*, The General Board of Higher Education and Ministry, free download from <http://www.gbhem.org/ResourceLibrary/4055.pdf>.
- *Guidelines for the Professional Staff/Pastor/Staff Relations Committee When Interviewing*, The General Board of Higher Education and Ministry, free download from <http://www.gbhem.org/ResourceLibrary/he4050.pdf>.
- *Sample Local Church Policy Manual*, The General Board of Discipleship, free download from <http://www.gbod.org/congregational>.
- *Ministry of Christian Education and Formation: A Practical Guide for Your Congregation* (Nashville: Discipleship Resources, 2003. ISBN 0-88177-395-6). See chapter 8, "Creating Job Descriptions."
- *Policy for a Congregation on Sexual Misconduct*, sample available at <http://www.gcfa.org>. Click on the "A-Z Listing," then on S for the sexu-

al misconduct document. The sample is an embedded link within the article.

- *Safe Sanctuaries*, by Joy Thornburg Melton (Nashville: Discipleship Resources, 1998. ISBN 0-88177-220-8).
- *Safe Sanctuaries for Youth*, by Joy Thornburg Melton (Nashville: Discipleship Resources, 2003. ISBN 0-88177-404-9).

## Leading Meetings, Planning the Work

- *Behavioral Covenants in Congregations: A Handbook for Honoring Differences*, by Gilbert R. Rendle (Bethesda: Alban Institute, 1998. ISBN 156692095).
- *Lay Speakers Lead Small Groups*, by Thomas R. Hawkins (Nashville: Discipleship Resources, 2001. ISBN 0-88177-315-8).
- *Spiritual Preparation for Christian Leadership*, by E. Glenn Hinson (Nashville: Upper Room Books, 1999. ISBN 0-8358-0888-2).
- *What Every Leader Needs to Know* series (Nashville: Discipleship Resources, 2004).

## Building Skills

- *How Shall They Hear? A Handbook for Religion Communicators* (Dallas: UMR Communications, ISBN 0-9679757-0-0).
- Go to <http://www.religioncommunicators.org/handbook.html> for an order form. No-nonsense information about every aspect of communications from developing a mission statement to choosing the appropriate media for a particular message.

## Celebration of Staff Work

- *The United Methodist Book of Worship* (Nashville: Abingdon Press, 1992. ISBN 0-687-03572-4). See especially Section VII, "Occasional Services" and Section IX "Services Relating to Congregations and Buildings."

## Identifying Ministers in the Congregation

- *The Christian as Minister*, by Robert Kohler (Nashville: Board of Higher Education and Ministry, 2001. ISBN X804294).
- *First Steps to Ministry* (Video and Guide) (Nashville: Board of Higher Education and Ministry). Call 615-340-7389 to request these resources.
- *Ministry Inquiry Process* (Video) (Nashville: Board of Higher Education and Ministry). Call 615-340-7389 to request these resources.
- *Ministry Inquiry Process* (Guidebook) (Nashville: Board of Higher Education and Ministry, 2000. ISBN X816771).

### **Mediation, Resolving Problems**

- Articles, information on mediation centers and services, and congregational study "Engage Conflict Well" are available through <http://www.just-peaceunc.org/>
- *From Stuck to Unstuck*, by Kenneth A. Halstead (Bethesda: The Alban Institute. ISBN 1-56699-203-6).
- *Making Peace with Conflict: Practical Skills for Conflict Transformation*, edited by Carolyn Schrock-Shenk and Lawrence Ressler (Scottsdale, PA: Herald Press, 1999. ISBN 0-8361-9127-7).
- *Managing Church Conflicts*, by Hugh F. Halverstadt (Louisville: Westminster/John Knox Press, 1991. ISBN: 0-664-25185-4).
- *Managing Transitions: Making the Most of Change*, by William Bridges (Cambridge, Mass.: Perseus Publishing, 2003. ISBN 0-7382-0824-8).

## SPRC STAFF LIAISON SUGGESTIONS

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Your Role As A Liaison To The Assigned Staff Person Can Be Described In The Following Ways:

- To confer and counsel
- To advise and interpret
- To provide insight
- To encourage

Your role is not one of supervision of the staff person.

All of this is intended to help contribute to effective ministry, healthy relationships, beneficial use of time and skills, on-going enhancement of the Congregation's Missions and Ministry, a collegial staff atmosphere, and professional development.

Some Suggestions:

- Set a time for a chat or lunch.
- Send a card at times of weddings and hiring anniversaries, birthdays, or "just because."
- Pass along comments of appreciation you hear.
- Help to interpret reasonable suggestions people may make.
- Be intentional about taking time monthly to be in touch with your staff person.

Thank you for your ministry of support and encouragement.

BRH/nk

09/02/97

shall be made to the bishop and cabinet at least six months prior to the annual conference session at which the appointment is to be made.

*e)* The bishop may make *ad interim* appointments at less than full-time service upon request of the ordained elder, following consultation as specified in ¶¶ 429-433 and upon recommendation of the cabinet and executive committee of the board of ordained ministry, the same to be acted upon by the next regular session of the annual conference.<sup>22</sup>

3. Interim appointments may be made to charges that have special transitional needs.

*a)* Interim clergy may serve outside the annual conference where membership is held under the provision of ¶ 346.1, with approval and consent of the bishops involved.

*b)* Interim appointments will be for a specified length of time, established in advance following consultation with the district superintendent, the pastor-parish relations committee, and the interim pastor.

¶ 339. *Definition of a Pastor*—A pastor is an ordained elder, probationary deacon (according to 1992 *Book of Discipline*) or licensed person approved by vote of the clergy members in full connection and may be appointed by the bishop to be in charge of a station, circuit, cooperative parish, extension ministry, ecumenical shared ministry,<sup>23</sup> or to a church of another denomination, or on the staff of one such appointment.

¶ 340. *Responsibilities and Duties of Elders and Licensed Pastors* — The responsibilities of elders and licensed pastors are derived from the authority given in ordination. Elders have a four-fold ministry of Word, Sacrament, Order and Service within the connection and thus serve in the church and the world. Local pastors share with the elders the responsibilities and duties of a pastor for this four-fold ministry.

<sup>22</sup> See Judicial Council Decision 579.

<sup>23</sup> *Ecumenical shared ministries* are ecumenical congregations formed by a local United Methodist church and one or more local congregations of other Christian traditions. Forms of ecumenical shared ministries include: (a) a federated congregation, in which one congregation is related to two denominations, with persons holding membership in one or the other of the denominations; (b) a union congregation, in which a congregation with one unified membership roll is related to two denominations; (c) a merged congregation, in which two or more congregations of different denominations form one congregation which relates to only one of the constituent denominations; and (d) a yoked parish, in which a United Methodist congregation is yoked with one or more congregations of other denominations.

1. *Word and ecclesial acts:*

*a)* To preach the Word of God, lead in worship, read and teach the Scriptures, and engage the people in study and witness.<sup>24</sup>

(1) To ensure faithful transmission of the Christian faith.

(2) To lead people in discipleship and evangelistic outreach that others might come to know Christ and to follow him.

*b)* To counsel persons with personal, ethical, or spiritual struggles.

*c)* To perform the ecclesial acts of marriage and burial.

(1) To perform the marriage ceremony after due counsel with the parties involved and in accordance with the laws of the state and the rules of The United Methodist Church. The decision to perform the ceremony shall be the right and responsibility of the pastor.

(2) To conduct funeral and memorial services and provide care and grief counseling.

*d)* To visit in the homes of the church and the community, especially among the sick, aged, imprisoned, and others in need.

*e)* To maintain all confidences inviolate, including confessional confidences except in the cases of suspected child abuse or neglect, or in cases where mandatory reporting is required by civil law.

2. *Sacrament:*

*a)* To administer the sacraments of baptism and the Supper of the Lord according to Christ's ordinance.

(1) To prepare the parents and sponsors before baptizing infants or children, and instruct them concerning the significance of baptism and their responsibilities for the Christian training of the baptized child.

(2) To encourage reaffirmation of the baptismal covenant and renewal of baptismal vows at different stages of life.

(3) To encourage people baptized in infancy or early childhood to make their profession of faith, after instruction, so that they might become professing members of the church.

(4) To explain the meaning of the Lord's Supper and to encourage regular participation as a means of grace to grow in faith and holiness.

(5) To select and train deacons and lay members to serve the consecrated communion elements.

*b)* To encourage the private and congregational use of the other means of grace.

<sup>24</sup> See Judicial Council Decision 694.

## 3. Order:

a) To be the administrative officer of the local church and to assure that the organizational concerns of the congregation are adequately provided for.

(1) To give pastoral support, guidance, and training to the lay leadership, equipping them to fulfill the ministry to which they are called.

(2) To give oversight to the educational program of the church and encourage the use of United Methodist literature and media.

(3) To be responsible for organizational faithfulness, goal setting, planning and evaluation.

(4) To search out and counsel men and women for the ministry of deacons, elders, local pastors and other church related ministries.

b) To administer the temporal affairs of the church in their appointment, the annual conference, and the general church.

(1) To administer the provisions of the *Discipline*.

(2) To give an account of their pastoral ministries to the charge and annual conference according to the prescribed forms.

(3) To provide leadership for the funding ministry of the congregation.

(4) To promote faithful, financial stewardship and to encourage giving as a spiritual discipline.

(5) To lead the congregation in the fulfillment of its mission through full and faithful payment of all apportioned ministerial support, administrative, and benevolent funds.

(6) To care for all church records and local church financial obligations, and certify the accuracy of all financial, membership, and any other reports submitted by the local church to the annual conference for use in apportioning costs back to the church.

c) To participate in denominational and conference programs and training opportunities.

(1) To seek out opportunities for cooperative ministries with other United Methodist pastors and churches.

(2) To be willing to assume supervisory responsibilities within the connection.

d) To lead the congregation in racial and ethnic inclusiveness.

## 4. Service:

a) To embody the teachings of Jesus in servant ministries and servant leadership.

b) To give diligent pastoral leadership in ordering the life of the congregation for discipleship in the world.

c) To build the body of Christ as a caring and giving community, extending the ministry of Christ to the world.

d) To participate in community, ecumenical and inter-religious concerns and to encourage the people to become so involved and to pray and labor for the unity of the Christian community.

¶ 341. *Unauthorized Conduct*—1. Pastors shall first obtain the written consent of the district superintendent before engaging for an evangelist any person who is not a general evangelist (¶¶ 629.3f, 1113.7), a clergy member of an annual conference, a local pastor, or a certified lay speaker in good standing in The United Methodist Church.

2. No pastor shall discontinue services in a local church between sessions of the annual conference without the consent of the charge conference and the district superintendent.

3. No pastor shall arbitrarily organize a pastoral charge. (See ¶ 260 for the method of organizing a local church.)

4. No pastor shall hold a religious service within the bounds of a pastoral charge other than the one to which appointed without the consent of the pastor in charge, or the district superintendent. No pastor shall hold a religious service within the bounds of a pastoral charge or establish a ministry to a college or university campus served by The United Methodist Church without the consent of the pastor or campus minister in charge, or the district superintendent. If that pastor does not refrain from such conduct, he or she shall then be liable to the provisions of ¶ 362.1 and ¶ 2702.

5. All clergy of The United Methodist Church are charged to maintain all confidences inviolate, including confessional confidences, except in the cases of suspected child abuse or neglect or in cases where mandatory reporting is required by civil law.<sup>25</sup>

6. Ceremonies that celebrate homosexual unions shall not be conducted by our ministers and shall not be conducted in our churches.

7. No pastor shall re-baptize. The practice of re-baptism does not conform with God's action in baptism and is not consistent with Wesleyan tradition and the historic teaching of the church. Therefore, the pastor should counsel any person seeking re-baptism to participate in a rite of re-affirmation of baptismal vows.

<sup>25</sup> See Judicial Council Decision 936.

**PASTOR – CHARGE ASSESSMENT**

Church: \_\_\_\_\_ Pastor: \_\_\_\_\_

**Instructions:**

- Please Send Forms On White Paper, One-Sided, Not Stapled.
- Please Send To Your:  Pastor,  SPRC Committee,  District Office

**Pastor/Staff Parish Relations Committee Chairperson:** *Please make sufficient copies of this form for each member of your committee and the pastor(s). If you have more than one appointed pastor, please fill out a separate form for each pastor. This assessment is to be completed by the members of the SPRC and the pastor(s) only. You are invited to reflect on the ministry of the church/charge as well as the ministry of the pastor(s). The assessment is intended to enhance the quality of ministry of both the church/charge and pastor(s). Each SPRC Member and Pastor should complete the form and bring it to a regularly scheduled meeting of the SPRC. At that meeting the pastor(s) should be present and dialogue should take place regarding the responses. Upon completion of the dialogue, one assessment for each pastor should be completed representing the discussion and opinions of the SPRC Members and Pastor.*

**QUESTIONS FOR INDIVIDUAL RESPONSE AND COMMITTEE DIALOGUE****1. Goals:**

- A. **What Did You Accomplish From the Ministry Goals Listed From The Previous Year?**
- B. **How Has the Committee and Congregation Implemented These Goals?** *(What has been successful? What has failed? What challenges were encountered? Where has God's grace been evident? What insights does the committee have in respect to these goals?)*

**2. What Are the Limitations the Congregation Faces in Accomplishing These Goals?**

- A. **What Will Be Done to Address These Limitations?**

**3. What Are the Pastor's Strengths?** *The duties of a pastor are described in ¶340 of The Book of Discipline 2008. Pastoral duties include preaching, worship leadership, teaching, pastoral care, evangelism, mission interpretation, social justice, organizational management, administration, community involvement, spiritual guidance, leadership development, counseling, group work, ecumenical cooperation, and others. A pastor will not excel in all areas, nor should the congregation expect pastoral proficiency in all areas. It is the responsibility of the SPRC and the Pastor to determine what mission, ministry, and pastoral skills are necessary.*

**4. In What Ways Are Your Pastor's Strengths and Skills Being Utilized to Accomplish Effective Ministry?****5. What Are the Limiting Factors/Concerns about the Pastor?**

- A. **What Will the Pastor and/or SPRC Do to Address These Limiting Factors/Concerns?**

**6. What Additional Training Is Needed for the Pastor and/or the Lay Leadership of the Congregation in Order to Benefit the Church's Mission?****7. Describe Your Pastor's Enthusiasm and Energy Level for Ministry with Your Congregation.**

PASTOR – CHARGE ASSESSMENT

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There may be issues of concern that pastors and congregations must work through. The Bishop and District Superintendents expect that congregations and pastors will use “The Rule of Christ” (*Matthew 18*) [See Guidelines for Pastor-Charge Assessment on Matthew 18: The Rule of Christ] to address issues of concern directly, honestly, and with mutual accountability. If resolution is not possible after following this method, the chairperson and/or the pastor are encouraged to contact the District Superintendent.

*Pastor's Signature:* \_\_\_\_\_ *Date:* \_\_\_\_\_

*SPRC Chair's Signature:* \_\_\_\_\_ *Date:* \_\_\_\_\_

## Resources for Staff-Parish Relations Committees

### Theological Foundations for Evaluation

*"Evaluation is one of God's ways of bringing the history of the past into dialogue with the hope of the future.... We are called into new growth and new ministries by taking a realistic and hopeful look at what we have been and what we can still become."*

from *Theological and Theoretical Foundations for Evaluating Ministry*, GBHEM, 1990

#### Scripture

##### ***From the wisdom of the Hebrew Scriptures***

- "Listen to advice and accept instruction, that you may gain wisdom for the future." (Proverbs 19:20)

##### ***Jesus invited evaluation of his ministry***

- "He asked them, 'Who do you say I am?'" (Mk 8:27-29; also Mt 16:13-23; Lk 9:18-22)

##### ***The Bible calls us to grow toward "perfection"***

- Jesus challenged listeners to "Be perfect ... as [God] is perfect" (Mt 5:48)
- From Paul: "Not that I have...already been made perfect, but I press on...." (Phil. 3:12)
- Also from Paul: "Examine yourselves to see whether you are living in the faith...that you may become perfect." (II Cor. 13: 5, 9)

##### ***Truthful, loving communication can result in growth***

- "But speaking the truth in love, we must grow up in every way into...Christ." (Eph. 4:15)

#### Our Wesleyan Heritage

***"Going on to perfection"*** is a familiar theme in Wesley's sermons and writings.

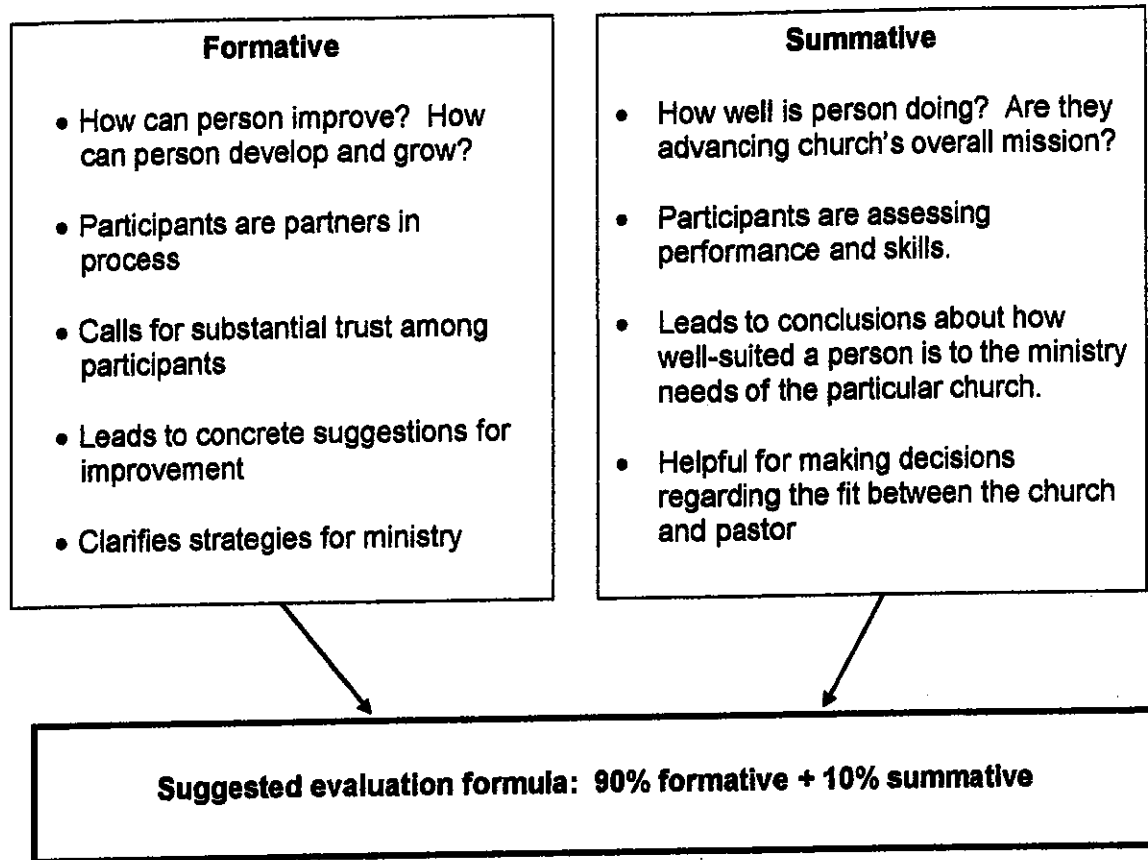
- *Growth and development* are essential not only to human existence but also to faith.
- *Faith as a lifelong process*—a continual journey of growing into salvation. (I Peter 2:2)

***Class Meetings*** are foundational to the early Methodist Movement.

- Class meeting as a time for *reflecting on one's faith journey*.
- Class meeting as a loving, supportive, and nurturing environment in which *to evaluate one's growth in faith*.
- Class meeting questions designed to encourage *giving and receiving honest feedback*.

## Resources for Staff-Parish Relations Committees

### Types of Evaluation



### Two Purposes of Evaluation

- Examine the effectiveness of the church in achieving its mission.
- Examine the effectiveness of the pastor (staff) in leading the church toward the fulfillment of the mission.

### Some Steps in Evaluation

- Gather appropriate information.
- From a thoughtful assessment of the information, decide what feedback will be shared, by whom, and how.
- Present the affirmations and areas for growth.
- Thank those from whom information was sought and indicate that it was helpful in the recently completed review.

## Resources for Staff-Parish Relations Committees

### Giving and Receiving Feedback

#### Feedback *IS*:

- Sincere and plain-speaking
- Self-revealing on the part of evaluators
- Humbly invited, humbly offered
- Contains useful insights
- Dialogue *with* pastor
- Personal and interactive
- Tool for improvement
- Ongoing process in the midst of ministry
- At its best, love in action

#### Feedback *IS NOT*:

- Winning a point or coercing another
- Passing rumors
- Hiding behind what someone else says
- Advocating a theological perspective
- Something done *to* pastor
- Weapon to be used against an enemy
- Defending one's self or others
- Saving up complaints for a one-time session
- Objective truth

#### *Asking for and Receiving Feedback*

- ✓ Specify the feedback you seek and why you are asking.
- ✓ Be sure those giving feedback understand what they are being asked to do.
- ✓ Have adequate time and a setting where you will not be interrupted.
- ✓ Assume positive motive and intention on the part of those giving feedback.
- ✓ Invite feedback givers to offer specific observations from their own experience.
- ✓ Repeat & rephrase comments to be sure you understand what they meant to say.
- ✓ Be aware of your feelings, breathing, physical comfort—call for a break if needed.

#### *Giving Feedback*

- ✓ Have adequate time and a setting where you won't be interrupted.
- ✓ Be clear about confidentiality—what can be shared from evaluative session.
- ✓ Avoid ganging up as a group on the one receiving feedback.
- ✓ Assume positive motive and intention on the part of the one receiving feedback.
- ✓ Speak from your own experience—give specific details.
- ✓ Invite questions for clear understanding—did they hear what you meant to say?
- ✓ Divide the feedback itself and conclusions from feedback into different sessions.

\*adapted from: Art Gafke, Ministry Assessment Process: Giving and Receiving Feedback, GBHEM

## Resources for Staff-Parish Relations Committees

### Effective and Ineffective Staff-Parish Relations Committees

#### Characteristics of Effective and Ineffective SPRCs

Effective	Ineffective
<p><b>Meet regularly and often</b></p> <p><b>Prepare for meetings</b></p> <ul style="list-style-type: none"> <li>• Have an agenda</li> <li>• Stay focused on agenda and identify topics for future meetings</li> <li>• Allow adequate time</li> </ul> <p><b>Establish partnership with pastor</b></p> <ul style="list-style-type: none"> <li>• Keep pastor informed</li> <li>• Take pastor into confidence</li> <li>• "We are in this together" attitude</li> <li>• Provide support and understanding</li> </ul>	<p><b>Conduct annual evaluations only</b></p> <ul style="list-style-type: none"> <li>• Withholds regular feedback</li> <li>• Lets issues build too long</li> <li>• Related to salary and appointment decisions more than to growth</li> </ul> <p><b>Allow too little time and care</b></p> <ul style="list-style-type: none"> <li>• Insufficient time to do task well</li> <li>• Insufficient care in getting input and preparing for evaluation</li> </ul> <p><b>Behave unfairly</b></p> <ul style="list-style-type: none"> <li>• Bringing unevaluated complaints</li> <li>• Bringing anonymous complaints</li> <li>• Giving all sources equal credibility</li> <li>• Doesn't put issues in perspective</li> </ul>

#### What SPRCs and Clergy Most Need from Each Other

<b><i>SPRCs Most Need from Clergy</i></b>	<b><i>Clergy Most Need from SPRCs</i></b>
<p><b>Cooperation and receptivity</b></p> <ul style="list-style-type: none"> <li>• Willing to listen with open mind</li> <li>• Attempt to understand members' needs and concerns</li> <li>• Attempt to make some changes</li> <li>• Openness to improvement ideas</li> </ul> <p><b>Clear and open communication</b></p> <ul style="list-style-type: none"> <li>• Pastor's vision for ministry</li> <li>• Candid assessment of what is going on in the church</li> <li>• Information about issues and needs</li> </ul>	<p><b>Honest feedback</b></p> <ul style="list-style-type: none"> <li>• Balanced, objective, thoughtful, and candid feedback</li> <li>• Treated as adults who can take criticism</li> </ul> <p><b>Personal concern and support</b></p> <ul style="list-style-type: none"> <li>• Advocate for pastor</li> </ul> <p><b>Communication with the congregation</b></p> <ul style="list-style-type: none"> <li>• Education of congregation</li> <li>• Feedback from and to congregation</li> </ul>

Based on a comparison of staff parish relations committees deemed effective by both the SPRC chair and the pastor and those deemed ineffective by the chair and pastor.

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# Guidelines

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## for Developing

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## Church

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## Job Descriptions

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EVERY CHURCH, REGARDLESS OF SIZE, HAS JOB descriptions for a number of varied tasks that must be performed regularly or periodically. They may be written, or they may exist only in someone's mind. A staff member may not always be certain of the exact responsibilities assigned to a position. The church may never have arrived at clear-cut decisions regarding expectations for the position. The job may have grown with the person or position over a period of years with assignments added or assumed from time to time. A problem may develop when a former staff member leaves and a new person comes into the assignment. A written job description is an organized summary of the duties, tasks, responsibilities, and accountability involved in a staff position. The job description should be reviewed annually and, when a change in personnel occurs, re-tailored to fit the new situation.

Section of Deacons and Diaconal Ministries  
Division of Ordained Ministry  
General Board of Higher Education and Ministry  
The United Methodist Church  
P.O. Box 871, Nashville, TN 37202-0871  
Phone 615-340-7375  
FAX 615-340-7377

## Value of Job Descriptions

### Job descriptions serve:

- as a way to identify persons by position title,
- as a guide to the staff member,
- as a way of clarifying what the church expects of the staff person,
- as a guide for interviewing and placement, helping relieve the church of pressures to place an unqualified person,
- as a guide for studying salaries and benefits of comparable positions,
- as a tool for evaluation and promotion,
- as an aid in producing a smooth and balanced work flow,
- as a guide to eliminate work duplications,
- as an effective control of job content. Sometimes jobs change so slowly that no one is fully aware of the change.
- as a means to develop and support morale. The writing of job descriptions is an indication to staff members of interest in them and their work, supporting efficient organization and the concept of the staff as a team, and
- as an addendum to an employee's contract.

## Preparations for Developing Job Descriptions

1. The pastor-parish (staff-parish) relations committee (PP/SPRC) gives leadership to the project to assure acceptance by the staff members and give it successful implementation (1996 Book of Discipline, ¶262.2b, 262.2f(10) and ¶322.10d).
2. The PP/SPRC should hold conferences with the staff members to explain the purpose of the project. In a large church, it may be desirable to have several separate meetings; one for program staff persons, such as pastor, director of education, director of music, etc.; one for clerical staff persons; and one for maintenance staff persons. The purpose of the separate meetings is to give more freedom in asking questions concerning related areas of responsibility. Discuss fully the method to be used in securing the job information, and give opportunity for comments and questions.
3. The PP/SPRC may choose to name a job description committee composed of persons from the PP/SPRC, the church staff, and those having special skills in the areas to be described.

### The purpose of the job description committee is to:

- determine the method of securing job information,
- collect the data,
- study and evaluate the findings,
- make recommendations, and
- write the job descriptions.

## Collecting Job Information

**The job description committee will need to collect the following information:**

- specific facts about responsibilities for each position
- what the person does and/or is expected to do
- how the person carries out each responsibility
- why the person does this
- knowledge and skills involved
- resources and equipment used
- training and/or experience required.

These specific facts are secured from each staff person by a job questionnaire and personal interview:

(1) request each individual to complete a job questionnaire; (2) interview the staff members individually concerning their duties and responsibilities; (3) talk about the church's expectations for this person and his/her work.

### Questionnaire

The chairperson of a job description committee, or other responsible person, should provide a copy of the job questionnaire to each staff member with a full explanation of the various items on the form. At least a week should be given for persons to complete the form.

Request each person to list his/her responsibilities in order of importance. It is important that the completed job questionnaires be carefully rechecked with staff persons before the final job descriptions are written.

### Interview

The job description committee may assign one or more of its members to interview staff persons individually.

The person interviewing should be familiar with the skills required for acceptable performance of the particular staff position.

Review with the individual the completed information on the job questionnaire. It provides a check to determine if the descriptions of tasks are correctly stated and if any task has been omitted.

Analyze carefully each completed job questionnaire and personal interview.

Sample questionnaire and interview forms are included in this document.

## Writing Job Descriptions

The main purpose of writing job descriptions is to distinguish one job from another. In this process, two objectives are accomplished:

1. All information is presented in a specific, accurate, and readable fashion.
2. Information is standardized on each position for purposes of comparison.

The following steps are suggested for writing job descriptions:

1. Summarize the responsibilities of each position. Data appearing on the job questionnaire need to be organized in a consistent form.
2. Summarize skills and other requirements necessary for each job. Establish minimum standards.
3. Use language that is direct and specific. Avoid generalized terms and complicated sentence structures. Use the present tense throughout the job description.

## Maintaining Job Descriptions

All job descriptions should be reviewed annually. When changes are approved, the descriptions need to be rewritten.

Each staff person should receive a copy of his/her completed and approved job description.

The job description, along with the supporting job questionnaire data, should be kept with individual staff and personnel records.

When determined that a new position is necessary, a job description should be written before persons are interviewed for employment. The new staff position may require a change in one or more of the other existing job descriptions.

The task of maintaining, reviewing, and revising job descriptions is an important responsibility of the pastor-parish (staff-parish) relations committee [1996 Book of Discipline, ¶262.2.f(4), 262.2f(10)].

Sample

Sample

Job Questionnaire

Position title \_\_\_\_\_

Prepared by \_\_\_\_\_

Date \_\_\_\_\_

1. Principal function. (Briefly summarize the main purpose of the position.)
  
2. Regular duties. (List the major duties required by the position.)
  
3. Occasional duties. (List the duties sometimes required by the position.)
  
4. Does the position require giving direct supervision of others? List the names of those supervised.
  
5. What decisions are normally made by you without additional approval?

Nature of decision

Frequency of occurrence

(continued)

6. In your responsibilities, what contacts are made with people outside the church?

People contacted

Frequency of occurrence

7. What specialized knowledge and skills does this position require?

8. What kind of office equipment does this job require? Note if used continuously, frequently, or occasionally.

9. What continuing education experiences are expected?

10. List professional groups in which you participate.

11. Give any additional comment that will aid in describing your work.

Sample

Sample

**Job Description Form**

Position title \_\_\_\_\_

Prepared by \_\_\_\_\_ Date \_\_\_\_\_

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

Principal focus. (Briefly summarize the major purpose of the position).

Regular duties. (List the major duties required by the position).

Occasional duties. (List the duties sometimes required by the position).

Skills and requirements.

**2011 GUIDELINES ON COMPENSATION INFORMATION  
FOR THE STAFF-PARISH RELATIONS COMMITTEE (SPRC)**

*Note – Copies of This Information Sheet Are For The Use Of The SPRC And The Finance Committee.*

**1. Guidelines for Developing the Pastor's Compensation Recommendation**

The Annual Conference guidelines for pastor's salaries were printed in the 1982 Conference Journal (copy enclosed) and the current report is enclosed with this mailing. The Commission on Equitable Compensation and the Cabinet encourage the SPRC to acquaint themselves with these guidelines and to use them along with other pertinent factors to determine the recommendation that will be made to the Finance Committee and the Church or Charge Conference.

Suggestions to Consider as You Work out the Salary Recommendation:

- a) Our pastor is a Full Member , Associate Member , Probationary Member , or a Local Pastor .
- b) Review the Minimum Salary Support as approved by the Annual Conference. (See Item # 5)
- c) The SPRC, in consultation with the Finance Committee, after approved (being approved by or approval) of the Administrative Council (Administrative Board or Church Council), is responsible for recommending an adequate salary for the pastor to the Church or Charge Conference. (§ 252.4.d)
- d) An explanation of the use of a Furnishings Allowance is also enclosed for your information. (See *Furnishings Allowance Report Form*)
- e) Your Lay Member to Annual Conference may be able to help the SPRC interpreting the Equitable Compensation Guidelines and other action related to pastors' salaries taken by the Annual Conference.
- f) Include your pastor at least through consultation so that he or she has an opportunity for voicing concerns and giving any personal information that would help the committee reach an equitable recommendation.

**2. Conference "Health Care Plan"**

The premium cost for pastors and their families for the year 2011 is \$14,304.

**3. Travel Expenses Reimbursement**

Churches are expected to reimburse the pastor for church business travel expenses out of the church operating budget. The pastor must submit vouchers to the church treasurer indicating miles driven and will be reimbursed at the 2010 IRS rate. (2010 rate is 50 cents per mile)

All travel expenses, which are paid from a voucher and are a reimbursement for actual church business miles driven, are excluded from the "Compensation Base" that is used to calculate the pension (CRSP/CPP). The 1994 Annual Conference adopted a policy regarding clergy travel for Conference and District activities that provides for 15 cents per mile being reimbursed to his/her local church. The policy states: "It is expected that all pastors will be reimbursed from their local church travel expense account: therefore, reimbursement checks from the Conference Treasurer's Office shall be payable to the local church."

**4. Flexible Spending Account FSA (Medical & Child Care Expenses)**

The Flexible Spending Account is part of the pastor's salary for the reimbursement of qualified medical and child care expenses. Health insurance premium contribution is not reimbursable. The amount is designated by the pastor in accordance with IRS guidelines. Payments must be vouchered and unused amounts cannot carry over from one year to the next. Participants in the conference health plan should be enrolled in the Conference FSA. This form needs to be completed for each plan year.

**5. Minimum Salary Support**

Upon the recommendation of the Commission on Equitable Compensation, and approval of the 2008 Annual Conference, beginning in 2009 the West Michigan Conference is moving to a Minimum Compensation Schedule that includes mandatory Years of Service (YOS) increases during the first 10 years of service in a Local Church. The salary schedule included below indicates the Minimum Salary in each category of ministry for years 1 through 10.

For years 11 through 25, the CEC "recommends" that the Local Church consider giving an additional 1% of the Category Base Salary for each additional Year of Service, (indicated at the bottom of each category) but it is not mandatory. Beyond the 25<sup>th</sup> year of service the CEC makes no specific recommendation.

Since we anticipate that there will be some questions of interpretation as we implement this schedule for the first time, we hope that the following information may be helpful in providing some answers.

1. Years of Service (YOS) increases are related to the CURRENT year of service.  
There is no Year 0 in the schedule, so a pastor who has completed 4 years of full-time service during the previous calendar year would move into Year 5 of the salary schedule. Since most salaries are set on a calendar basis, and appointments typically begin July 1<sup>st</sup>, a first time pastor beginning on July 1<sup>st</sup> would not move in Year 2 for @ 18 months.

2. Part-Time Service can be accumulated to count toward Full Years of Service.  
A pastor who served ½ Time for 2 Years should be credited with an additional 1 Year of Service. As in the above example, the total for Years of Service applies to those years that have been completed prior to the beginning of the calendar year.
3. All Years of Service carry over when Clergy move into a new category or a new appointment.

### 2011 Minimum Salary Schedule

	<u>Local Pastor</u>	<u>Associate Member</u>
Year 1	32,134	*
Year 2	32,456	*
Year 3	32,777	*
Year 4	33,099	*
Year 5	33,421	34,928
Year 6	33,743	35,275
Year 7	34,064	35,622
Year 8	34,386	35,973
Year 9	34,708	37,512
Year 10	35,030	37,512
* Additional YOS	350	* 375
	<u>Provisional Member</u>	<u>Full Member</u>
Year 1	35,859	**
Year 2	36,217	**
Year 3	36,576	**
Year 4	36,934	38,653
Year 5	37,292	39,040
Year 6	37,650	39,430
Year 7	38,009	39,773
Year 8	38,367	40,200
Year 9	38,725	40,587
Year 10	39,084	40,974
* Additional YOS	391	* 410

**2 Point Charge - Add \$200**

**3 Point Charge - Add \$350**

Shaded cells represent minimum salaries that were set above the overall formula of the schedule to insure that all clergy receive at least a 2% increase over the current minimum salary.

The cost of health insurance (Health Care plan) is not included in the above figures. The Health Care Plan premiums are paid directly to the Conference Treasurer by the church treasurer on receipt of the monthly billing.

If your church receives Equitable Compensation support that amount is paid to the church by the Conference Treasurer. An additional amount is added to the payment to provide for the monthly payment of the Clergy Retirement Security Plan (CRSP), the Comprehensive Protection Plan (CPP) on the minimum salary portion.

**6. Pensions:**

Following is the method used to determine the amounts for the Clergy Retirement Security Plan (CRSP), the Comprehensive Protection Plan (CPP), and the UM Personal Investment Plan (UMPIP). **The UMPIP contribution is a voluntary amount coming out of the pastor's salary. The 3% is used as an example only:**

EXAMPLE ONLY:	EXAMPLE	EXAMPLE
1. Total Compensation	30,737	44,000
a. Including: Cash Salary, UMPIP or Salary Reduction Contributions		
b. Excluding: Vouchered Travel, Health insurance cost and utilities		
2. Add 25% if a parsonage is provided by church or actual amount of housing allowance	7,684	11,000
Total Compensation Base	38,421	55,000
3. Amounts Calculated:		
a. Clergy Retirement Security Plan (CRSP) 12% (No Limit)	4,611	6,600
b. Comprehensive Protection Plan (CPP) 3% (Limited to max. 200% of DAC)	1,153	1,650
c. United Methodist Personal Investment Plan (UMPIP) 3%	1,153	1,650
(Voluntary Contribution out of pastor's salary) <i>(The 3% UMPIP is an example only)</i>		

**Note: A Monthly Billing Statement Will Be Sent From The Conference Treasurer For CRSP, CPP, And Health Insurance.**

*Prepared: Sept. 2010*

<b>GUIDELINES FOR CLERGY RETIREMENT SECURITY PLAN (CRSP) AND          COMPREHENSIVE PROTECTION PLAN (CPP)          FOR THE YEAR 2011</b>
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	CRSP	CPP
<b>FULL MEMBERS</b>		
<b>Probationary Members</b>		
<b>Associate Members</b>		
Full Time	12%	3%
3/4 Time	12%	3.4% of DAC*
1/2 Time	12%	3.4% of DAC*
1/4 Time	12%	No Participation
<b>STUDENT LOCAL PASTOR</b>		
Appointed by the Bishop	12%	No Participation
<b>LOCAL PASTOR</b>		
Full Time	12%	3% (If receiving at least 60% of CAC*=\$34,507)
3/4 Time	12%	No Participation
1/2 Time	12%	No Participation
1/4 Time	12%	No Participation

2011 DAC\* = \$61,716  
 2011 CAC\* \$58,353  
 CRSP Maximum = NO LIMIT  
 CPP Maximum \$3,703

CRSP = 12% of Compensation Base (Line 17 on Compensation Report)  
 CPP = 3% of Compensation Base (Line 18 on Compensation Report)

\*CAC = Conference Average Compensation  
 \*DAC = Denomination Average Compensation

<b>2011 BASIC PASTORAL RELATED EXPENDITURES</b>
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OUTLINED BELOW ARE FINANCIAL OBLIGATIONS FOR A FULL-TIME PASTOR.

**Minimum Financial Obligations for Churches with a Full-Time Pastor:**

<b>Salary:</b>		<b>\$32,134 to \$38,653</b>
	<i>(These figures represent the minimum salary for a Full-Time Local Pastor and the minimum for a Full-Time Elder. Other minimums for other categories of clergy would fall in between these two figures.)</i>	
<b>Housing:</b>	<b>Parsonage (For Utilities and Maintenance)</b>	<b>\$6,000</b>
	<b>Housing Allowance</b>	<b>\$12,000 to \$20,000</b>
	<i>(The Annual Conference requires churches to provide a parsonage for a Full-Time Pastor, if he/she requests it, or a housing allowance can be offered if it is agreed to by the Pastor, the Church, and the District Superintendent. If a parsonage is requested and the church does not want to purchase a house, the housing allowance could be used by the church to rent a house that meets the Annual Conference Parsonage Standards.)</i>	
<b>Health Insurance:</b>		<b>Estimated - \$14,304/Year</b>
<b>Pension:</b>		<b>\$4,749 To \$5,712</b>
	<i>(This amount is determined by percentage of the salary and housing costs.)</i>	
<b>Comprehensive Protection Program (CPP)</b>		<b>\$1,187 To \$1,428</b>
<b><u>Other Related Expenses</u></b>		
	<b>Travel Reimbursement</b>	<b>\$2,500</b>
	<b>Professional Expense/Continuing Education</b>	<b>\$2,000</b>

When you add up these items, the minimum total a church must be able to provide for a full-time clergy could range from \$61,095 to \$88,700 or greater. The health insurance is one variable that may or may not be used, but most pastors will require insurance. Occasionally a spouse's or previous employment's insurance will cover the family.

A goal of meeting inflation, merit increases, and rising health care costs will require increases be factored into any long range projections.

The following information was adopted by the 2004 Annual Conference:

"The Annual Conference shall use as an Evaluation Tool for reducing the burden of pastoral support, freeing local congregations for mission and ministry by establishing a ratio between ministerial support and total annual church expenses to be 45% or less for each church in order. Further, the following definitions, procedures, and criteria shall be used for the purpose of meeting that evaluation.

For the purposes of assessing the viability of a particular appointment, the ratio between ministerial support (Conference Treasurer's Report, Table 2, Columns 58, 64, 65, 66, 67) and total annual church expenses (Table 2, Column 76) is a preliminary screening tool.

A viable full-time pastoral appointment is to a charge which is actively engaged in mission and ministry in its community and beyond, and able to pay the pastor's full salary and benefits.

The following guidelines should be used in determining the church's viability:

A congregation is vital if:

- There is evidence that the church is in mission and ministry
- The ministerial support does not exceed 45% of the total annual church expenses

A church is at risk in its current appointment if:

- There is evidence that the congregation's ministry and mission is hampered.
- The ministerial support is in the range of 45-55% of the annual costs of the church.

A viable full time appointment is no longer possible or a church has more pastoral appointment than it can sustain if:

- The ministerial support exceeds 55% of the annual costs of the church. (For multiple charges, the total charge's budget and each congregation within the charge should both be considered.)

Following the determination that a church is at risk, an assessment and planning process will be initiated by the Cabinet with tools to be selected by the Cabinet and/or Conference Staff. Assessment should determine the strengths of the church and potential strategies to enhance ministry. Part of the planning process should be assessment of alternative staffing patterns.

For churches in the 55% or above ratio, the Cabinet is encouraged to make necessary changes in the appointment to reduce pastoral support burden, freeing local congregational resources for ministry. Assessment and planning will be made available to these churches when requested, assisting them in implementing new approaches to ministry with the appointment reconfiguration.

When making new appointments, the Cabinet is strongly encouraged to consider the financial sustainability of the appointments.

The Cabinet is asked to report yearly to the Annual Conference regarding progress toward the goal."

*Adopted by Annual Conference – June 2004*

### SALARY / WORSHIP / GIVING BENCHMARKS

#### THE INFORMATION THAT FOLLOWS IS INTENDED TO HELP APPLY THE CHURCH EXPENSE/MINISTERIAL SUPPORT RATIO.

The clearest steps for a congregation to gain in strength are to increase worship attendance, and/or increase in their average giving per worship attendee.

* Estimated Basic Expense of a Minimum Salary Elder with Parsonage, Health Care, Pension, Travel, and Professional Expenses	\$68,700
* Conference Average Giving / Worship Attendee <i>(Using patterns seen over the past five years)</i>	\$1,300
* Suggested Healthy Ratio of Staff Costs to Total Budget	40-45%
* Example:	
Pastoral Costs (45%)	\$69,000
Other Costs (55%)	\$84,000
<b>TOTAL LOCAL CHURCH OPERATION BUDGET</b>	<b>\$153,000</b>
<i>(Plus, Special Mission Giving, Capital Improvement, Loan Repayments)</i>	

Minimum Number of Members Needed in Worship is 118 to Meet Such a Scenario.

"To be economically viable in terms of maintaining an attractive meeting place, providing a competitive compensation package for the Pastor, and allocating a respectable number of dollars for program and missions, that usually means an average worship attendance of 125 to 145 or more."

Lyle Schaller – "What's the Right Size?"  
NetResults – July/August 2002 – Page 12

## GUIDELINES FOR CLERGY PENSION AND LIFE INSURANCE BENEFITS

### **Clergy Retirement Security Plan (CRSP)**

The Clergy Retirement Security Plan (CRSP) is a mandatory pension plan for pastors unless a waiver for participation is approved for less than full-time clergypersons and student local pastors who are appointed half-time or less and have a current pension plan or receiving a pension if already retired. (See *Guidelines for Clergy Retirement Security Plan (CRSP) and Comprehensive Protection Plan (CPP) Chart.*)

### **Cumulative Protection Plan (CPP)**

The Cumulative Protection Plan (CPP) is also a mandatory plan for participants in the CRSP except full members who are appointed 1/4 time, and student local pastors and local pastors in 3/4 time or less appointments. Local pastors in full time appointment and receiving at least 60% of CAC are required to participate in CPP. This is a life insurance and a long-term disability insurance program. (See *Guidelines for Clergy Retirement Security Plan (CRSP) and Comprehensive Protection Plan (CPP) Chart.*)

### **United Methodist Personal Investment Plan (UMPIP)**

The UM Personal Investment Plan (UMPIP) is a voluntary personal pension savings plan. It is a personal 403(b) account separate from the CRSP. The amount of personal savings deducted from the pastors' salary is also voluntary and can be changed anytime. (See related materials for limitations on salary-reduction contributions.) Deposits can be made only by the salary paying unit and not by the pastor directly.

#### **Some Features of UMPIP Include:**

- Accessibility to your account before retirement. You will be able to take a hardship loan for purposes of qualified medical expenses (which means they are tax-deductible), purchase of a home, tuition or expenses for post secondary education for self or dependents, and prevention of foreclosure or eviction. Because you are paying the loan back, it is not considered a distribution and therefore is not taxable.
- A hardship withdrawal can be made for the same reasons. If you take a hardship withdrawal, there will be a 12-month suspension for before-tax contribution to UMPIP. Because there is no paying back of the withdrawal, this is considered a distribution and is therefore taxable.
- You will have access to account information through a toll-free telephone interactive voice response system to check account balance, transfer investments, and get investment performance information 24 hours a day, 7 days a week.
- There are various funds that you have options to invest in. Investments are always made in accordance with the Social Principles of the United Methodist Church.

*A salary deduction agreement must be signed and a billing update form completed every time a pastor experiences change in appointment or in the amount of contribution/savings. The signed salary deduction agreement is kept in the local church file and the billing update form is forwarded to the General Board of Pension through the Conference Treasurer's Office.*

There are two kinds of salary deduction agreements: before-tax and after-tax. With the before-tax salary deduction agreement, contributions are not taxed until received in the event of distribution. With the after-tax salary deduction agreement, contributions do not reduce the salary for income tax purposes. Login to [www.gbophb.org](http://www.gbophb.org) for additional pension benefits information or call the Conference Treasurer's Office.

## COMPENSATION REPORT INSTRUCTIONS

For More Information on Pension Go To: [www.gbop.com](http://www.gbop.com)

**Please Complete One Form For Each Pastor.** Show the Church/Charge at the top right. **Where there is more than one church contributing to the compensation of one Pastor, list the amounts related to each church.** Show the Total Compensation for the Pastor in the extreme right column. Include income from all sources that are part of the ministry to which appointed (Equitable Compensation, New Church Development, Local Church) in the calculation of Total Salary.

### Line-By-Line Tips:

1. The Annual Gross amount to be paid to the Pastor from Local Church, including United Methodist Personal Investment Plan (UMPIP\*) Contributions, whether before-tax or after-tax.
2. List and name other compensation provided (Non-Accountable Allowances for Discretionary Fund, Employer SE, Etc., if any). Include all *Taxable Allowances*.
3. Supplements to Salary Support from outside the Local Church (Equitable Salary, Grant, Etc.) may be subtracted from Line 1 and shown separately on this Line as part of Taxable Income for the Pastor.
4. Other Income amounts (Travel *if given as fixed monthly amount*, non-vouchered and TAXABLE).
5. Add Lines 1 through 4 and enter the Total. Of this Total Amount, some special tax treatment may apply to certain portions, which will be listed in the next section.
  - a. Line 5, plus 25% Parsonage value *or* actual Housing Allowance, equals the Total Plan Compensation Base Amount used for calculating contributions to the Clergy Retirement Security Program (CRSP\*) and Comprehensive Protection Plan (CPP).
6. If UMPIP\* Pension Contributions are paid to the GBOPHB Account under a Salary Reduction Plan, before tax, enter the amount. An agreement must be in place between Pastor and Local Church. Enrollment at GBOPHB in the UMPIP\* Plan will generate a monthly billing directly to the church from Evanston. Specific limits on tax-sheltered contributions apply. The UMPIP\* amount is shown in Box 12 of the W-2.
7. List amount withheld from salary and paid by the Treasurer to the Conference, on behalf of the Pastor for Pastor's Contribution to the Health Care Plan. This amount is the non-reimbursable portion of the FSA.
8. Reimbursable Account (FSA)
  - a. List amount withheld from Pastor's Salary and for Pastor's FSA. This amount is the Reimbursable Medical Expenses Portion of the Pastor's FSA.
  - b. List amount withheld from Pastor's Salary and for Pastor's FSA. This amount is the Reimbursable Dependent Care Expenses Portion of the Pastor's FSA.

**Note:** Effective January 1, 2008, pastors participation in the Conference FSA will be automatic unless waived based on completed enrollment form. Please contact the Conference Treasurer's Office.

9. Total the Salary Reduction Items, Lines 6 through 8b.
10. Enter the Total Taxable Compensation as shown on Line 5.
11. List the amount of the excludable household Furnishings Allowance, as set by the agreement between the Pastor and the Local Church.
12. Enter the Total Salary Reductions Items as shown on Line 9.
13. Line 10 minus Line 11, minus Line 12. This is the amount that will appear in Box 1 of the W-2 form at the end-of-the-year.
14. Lines 14-18: List other amounts in the church budget that provide support for the Pastoral Appointment
15. Enter the Parsonage Utilities and Maintenance.
16. If a Housing Allowance is provided instead of a parsonage, list the amount.
17. CRSP\* (Pension Contribution) is 12% of Line 5a. Starting 2007, there is no limit.
18. CPP (Life and Disability Insurance) is 3% of Line 5a. Next year, the maximum CPP is \$3,620.
19. Lines 19-21: Accountable Reimbursement Plans (ARPs) are established with a specific agreement, renewed annually. The initial amount is negotiated at the beginning of an appointment. The Annual Conference recommends that the Local Church pay registration and travel expenses for their clergy who attend Annual Conference. Travel Expenses should be reported on a timely basis for reimbursement.

*This recommendation is valid when signed and the amount on Line 5 has been approved by the Church/Charge Conference.*

*This document is not intended to give specific legal or tax advice. The Conference is not engaged in rendering legal, accounting, or other types of Professional Service. For legal or other expert assistance or advice, the services of competent legal and tax counsel should be obtained.*

- \* CRSP = Clergy Retirement Security Program (no longer referred to as MPP)  
 \* UMPIP = United Methodist Personal Investment Plan (no longer referred to as PIP)

## 2011 Pastoral Compensation Recommendation to the Church/Charge Conference

**INSTRUCTIONS:**

Please Complete One Form for Each Pastor Under Appointment.

Make A Copy of the Report and Bring It to the Charge Conference

Send it to the District Office 10 Days Before the Charge Conference.

\*CRSP=Clergy Retirement Security Program (no longer referred to as MFP)

\*UMPIP = United Methodist Personal Investment Plan (no longer referred to as PIP)

Charge \_\_\_\_\_ Time Status: \_\_\_\_\_

Pastor \_\_\_\_\_ Standing: \_\_\_\_\_

Church Name: \_\_\_\_\_

**Pastoral Compensation**

	2010 Total	2011 Salary		2011 Total
		Church #1 %	Church #2 %	
1 Salary (Including PIP before- and/or after-tax amounts)				
2 Other (Allowances, e.g. Discretionary, S.E. Tax, etc.)				\$0
3 Other (E.g. Equitable Salary or other support)				\$0
4 Other (E.g. Travel if non-vouchered)				\$0
5 <b>Total Compensation (Add Lines 1 thru 4)</b>	\$0	\$0	\$0	\$0

Note: Calculation in this box is basis for CRSP and CPP contributions.  
Enter amount from Line 5

	\$0
If a parsonage is provided, enter 25% of Line 5 as Parsonage value... OR, Enter the actual Housing Allowance shown on Line 16	\$0
5a <b>Total Plan Compensation base for CRSP* and CPP contributions.</b>	\$0

**Salary Reduction (Before Tax) Items**

6 Pastor's Savings in UMPIP* 403(b) Plan (W-2 Box 12)				\$0
7 Health Insurance Contribution (FSA Not Reimbursed)				\$0
8a Medical Reimbursement Account (FSA)				\$0
8b Day Care Reimbursement Account (FSA)				\$0
9 <b>Total Salary Reduction Items (Add 6 thru 8b)</b>	\$0	\$0	\$0	\$0

**Salary Reportable to IRS**

10 Total Pastoral Compensation (Line 5)				\$0
11 Minus Household Furnishings Allowance (Exclusion)				\$0
12 Minus Salary Reduction Items (Line 9)				\$0
13 <b>Salary Reportable on W-2 Box 1</b>	\$0	\$0	\$0	\$0

**Benefits Costs (From Church Budget)**

14 Health Care Plan (Conference Group Plan or Other)				
15 Parsonage Utilities & Maintenance				
16 Housing Allowance (In lieu of parsonage)				
17 CRSP* = 12% of Line 5a (NO LIMIT)				
18 CPP = 3% of Line 5a (Maximum \$3,620)	\$0	\$0	\$0	\$0

**Accountable Reimbursement Plan (From Church Budget)**

19 Travel Vouchered at IRS Rate & Annual Conference				
20 Professional Expenses & Continuing Education				
21 Other				
<b>Total Benefits Costs &amp; Accountable Reimbursements</b>	\$0	\$0	\$0	\$0

**Signatures**

Pastor \_\_\_\_\_

Date: \_\_\_\_\_

Chair, Pastor-Parish Relations Committee \_\_\_\_\_

Treasurer \_\_\_\_\_

Chair, Administrative Board/Council \_\_\_\_\_

District Superintendent \_\_\_\_\_

**Church Treasurer's Calculation for Payroll**

Total Pastoral Compensation (Line 5)	\$0
Minus Salary Reduction Items (Line 9)	\$0
Minus any other authorized withholdings	\$0
<b>Total cash to be paid annually to the pastor:</b>	\$0
Divide the above total by the number of paydates for the year (12, 24, 26, etc.)	\$0

## ACCOUNTABLE REIMBURSEMENT POLICIES Q&As

The following questions and answers are intended to assist local churches and organizations in establishing and maintaining accountable reimbursement policies for their clergy and staff. Also, at the end of this document, there are some examples of proper and improper expense reimbursements.

**1. What is an accountable reimbursement policy and why should we have one?**

For business and tax reasons, in most instances, it is in the best interests of the church and its staff to have in place an accountable reimbursement policy to pay for the business expenses that are necessary to do the ministry of the church. These policies are simply a method for claiming and reimbursing professional or business expenses rather than providing an expense allowance. It's as simple as this: A church sets up a budget for the pastor's professional and business expenses, such as travel, continuing education, subscriptions, etc. When the pastor incurs a professional or business expense, s/he submits a claim with backup substantiation. The church either pays the expense directly or reimburses the pastor.

**2. Are accountable reimbursement policies only for clergy?**

No. The church can set up the policy to cover the business expenses for all staff. When answers or examples refer to pastors, it is for illustration purposes and not meant to exclude other staff.

**3. What are the advantages of an accountable reimbursement policy?**

There are several advantages to using an accountable reimbursement policy. (a) Convenience: Staff reports the business expenses to the church and not to the IRS - this means that none of the expenses are reported on Forms W-2 and there is no need to worry about IRS forms or calculating deductions. (b) Data: It gives the church an accurate account of the "cost" of ministry and allows members to understand the financial support necessary for staff to do their work well. (c) No complex rules: the Deason rule does not apply (it otherwise requires clergy to reduce the deduction for business expenses proportionately if they have a tax exempt housing allowance). (d) Fewer limits: Certain limits on business meals are avoided. (e) Tax savings: It takes the place of Schedule C and may save on taxes.

**4. What are the disadvantages of an accountable reimbursement policy?**

There are two minor disadvantages: The clergyperson's work expenditures are subject to more review by church members and some

privacy may be lost. Also, the funds in the accountable reimbursement budget belong to the church and may not be given outright to the pastor at year-end if there is money left unspent.

**5. What needs to go in an accountable reimbursement policy?**

It's as easy as this. All you need is a written policy, which can be as simple as a short paragraph in the form of a resolution or a detailed plan, depending on the church's own needs and structure. This tax packet includes easy to implement sample policies (short and long). Most churches will want to have a budget amount which will "cap" the allowed amount for each staff person. It can be helpful (but it is not required) for the pastor, SPR committee, and finance committee to develop the budget together, with an idea of the types of expenses that can be expected.

**6. When should the policy be set up?**

The policy should be set up and funded when the church is doing the budget for the upcoming year. Once a written policy is in place, the church only needs to examine the budget funding for the accountable reimbursement policy each year.

**7. How should the policy be funded?**

Out of the church's budget, just like other expenses of running the church. The church needs to look at its budget and determine what amounts are necessary to pay for reasonable business expenses that fulfill the mission of the church, together with what it can reasonably afford. It is important for the church to realize that business expenses are properly church expenses and not something that the staff must cover from their own personal funds. It is important to review past expenditures (and future needs) carefully to arrive at an amount adequate to pay for the business expenses and at the same time within budget constraints.

**8. Can the church "reduce" or "restructure" the pastor's salary to fund the accountable reimbursement policy?**

The IRS has stated that it is currently reviewing some aspects of this issue. But until further notice from the IRS, churches should avoid these types of arrangements.

**9. Can monies budgeted in the past for a travel allowance be used instead to fund an accountable policy?**

Yes. For example, when the church is setting up its budget, it may reallocate the pastor's travel allowance (or other allowances other than a housing allowance) into an accountable reimbursement policy. By doing so, the church does not have to report the new travel reimbursement as part of W-2 income.

**10. Can the church and the pastor negotiate compensation at the beginning of a new appointment that includes funding of an accountable reimbursement policy?**

A pastor coming into a new appointment has the ability to create a salary/compensation/benefit package that includes an adequately funded accountable reimbursement policy. The best approach is to budget for the policy out of church funds because these expenditures are for professional expenses which staff need to do their job.

**11. What expenses/categories/items should be part of the policy?**

Attached to the sample "long-form" policy included in this tax packet is a worksheet designed to help churches determine an acceptable budget for an accountable policy. The worksheet lists examples of appropriate business expenses that may be included (e.g., business automobile expenses, parking, tolls, office supplies, business postage, office equipment, business-use computers, software, professional books/subscriptions, professional dues, religious materials, vestments, business gifts, continuing education, business entertainment, travel, etc.) There may be other business expenses that are appropriate to include, depending on the unique mission of your church. It is important to note that the categories on the worksheet are suggestions for budgeting, not rigid expense categories; the staff person, in consultation with the SPR chair and/or treasurer, or finance committee chair, may shift expenses during the year from one category to another. *Also see the examples at the end of these Q&As for suggestions about proper and improper reimbursements.*

**12. Should the church reimburse the staff member or pay for their business expenses directly?**

Either approach is acceptable. The staff person may submit a bill and ask that the church pay it. Alternately, s/he can substantiate the expense and ask that the church reimburse him/her. This tax packet includes a sample voucher form that can be used to submit requests for payment or reimbursement. Some churches provide certain members of their staff with business credit cards or long distance phone cards (restricted to business use) to make substantiation and bill payment easier. However, a credit card statement alone is not sufficient substantiation.

**13. How should expenses be substantiated?**

The IRS requires an adequate accounting by the employee and maintenance of good records by the employer. The IRS requires actual receipts for any expense over \$75.00. The church may use this figure or set a lower limit. (e.g., GCFA requires receipts for all expenses over \$25.00.) The documentation should show (or be listed on the receipt itself): the purchase, amount, date, place, and the business nature of the expense. For example, if the pastor purchased a \$10.25 notebook, the substantiation would not require a receipt, but at the very least should state, "Purchased Notebook for \$10.25 on 1/5/01 for keeping accountable reimbursement records for church." A meal expense might state, "\$5.90 lunch on 1/5/01, in Centerville while meeting with district superintendent." Another example is \$150 expenditure for a continuing education seminar where the staff can submit the invoice for payment by the church to the vendor. Or, if

the staff person paid personally, an acknowledgment of payment by way of a receipt for the seminar or the invoice with a front and back copy of a canceled check would be adequate to substantiate the reimbursement to the staff person.

**14. When must substantiation/receipts be provided to the church?**

The IRS requires that all substantiation of expenses occur within a reasonable time (within 60 days will be deemed reasonable) of the expense being paid or incurred. Using the above example of a notebook purchased on 1/5/01, the expense substantiation should be submitted no later than 3/4/01, to qualify as an accountable reimbursement. It is a good practice to turn in receipts at least every two weeks, to prevent forgetting about expenses or losing back-up receipts.

**15. Can the church make advance payments? When must the staff substantiate the expenses?**

Yes, it is appropriate to allow advances, if the church wishes to do so and has an adequate accounting system to track the substantiation for or reimbursement of advances. If an advance is given and exceeds the amount of business expense substantiated, the staff person must return the excess within a reasonable time (within 120 days will be deemed reasonable) of the date incurred or paid.

**16 Who gets original receipts and documentation?**

The church should be given the originals of receipts and written documentation and the staff person should keep a copy. It is unlikely that the staff person would ever need the copies unless s/he needed to substantiate expenses in excess of the amounts reimbursed.

**17. Can the church give to the pastor at the end of the year any monies in the accountable policy not spent during the year?**

No. The funds budgeted should not be shifted to a bonus or any other type of payment. This could jeopardize the entire accountable reimbursement policy. The monies can be used by the church for other types of expenses (e.g., for mission, to reserves, or as a carry over to the accountable reimbursement budget line for next year).

**18. Can the church increase the funding of the accountable reimbursement policy during the year?**

Yes. If the church has additional funds or wants to shift budgeted funds from one account to another, it may do so. (No shifting is allowed from salary to an accountable policy).

**19. Which church officer should be responsible for reviewing the propriety of the items submitted and which officer should be responsible for paying the expenses?**

There is no single correct way to handle this responsibility. One method is to have the chair of the SPRC (in consultation with the committee) review and approve the submitted expenses and for the treasurer to handle payment. This avoids conflicts that may arise concerning the appropriateness of a given expense if all of the responsibility is on the treasurer. Under any arrangement, it is important for someone, with credibility and respect to carefully review all of the submitted requests for reimbursement to ensure their appropriateness. Also, someone needs to be in charge of monitoring all expenses to ensure budget compliance, timely reporting, return of any advances and the like.

**20. How should confidential items be handled in terms of substantiation and reporting?**

When the pastor makes confidential visits to parishioners, s/he may want to write "private" or "confidential visit with church member" on a travel log. The pastor should at least be able to answer any questions or share information about these entries in confidence with the chair of the SPRC.

**21. What does the IRS consider to be a properly reimbursable business expense and is it different for a church than a for-profit oriented business?**

A business expense is one that is directly related to the purposes and goals of the organization and is reasonably necessary to fulfill those goals. The basic idea applies to all organizations, from the smallest widget manufacturer to the largest business corporations in the U.S., from the smallest rural church to the mega churches, even though the goals of a church are different from the goals of a business. It is necessary that expenses relate to the church's unique mission and that they not be personal expenses of the pastor.

For example, it would not be proper for a minister to claim a travel reimbursement for the expense of visiting a sick relative who is not a member of the church and who lives 100 miles away, even if part of the purpose of the trip was to give spiritual comfort. The primary reason for the trip is to visit a relative. If a pastor went on a two-week vacation with his/her family and also preached at two churches during the trip, reimbursement for the travel vacation expenses would not be proper. Some of the expenses related to the preaching would be appropriate if the pastor's church encouraged such preaching arrangements during vacations, the pastor obtained approval for this, and the pastor incurred additional expenses on the trip for going to those church locations. If the personal nature of the expense is the primary consideration, it is not a business expense. Also see the sample list of proper and improper reimbursement items at the end of these Q & As.

**22. May a church tell a pastor not to spend funds even if the expense may be a proper business expense?**

Yes. The question suggests a conflict between the pastor and the treasurer's or the SPR committee's view of necessary or authorized expenses as they relate to the mission of the church. The best way to resolve most conflicts is to try to understand them, discuss them, and come to some agreement.

For example, it is hoped that most churches would agree that annual conference related committee work and travel are part of each church and pastor's commitment to the connectional system (these would be legitimate business expenses). If a conflict over such conference expenses exists, the DS may be able to facilitate some meeting of minds (or pocketbooks). A difficult problem may arise when the church and the pastor view their mission differently. If the church does not approve of the clergy's involvement in an international mission project and finds it to be outside of the church's mission, the pastor should not submit travel or related expenses for such an activity. These issues should be explored ahead of time with the SPRC to avoid misunderstandings.

**23. What happens if a new pastor is appointed in June and the previous pastor has already spent all of the funds in the accountable reimbursement policy account for that calendar year?**

The best answer is that this type of situation should not arise in the first place, because the departing pastor, SPRC chair, and treasurer should make sure that it does not occur. These individuals all need to monitor the expenses and make sure that the accounts, absent unusual circumstances, are spent proportionally throughout the year. However, if this scenario should occur, it is possible to add to the accountable reimbursement policy for the new pastor, if funds are available elsewhere in the budget.

**24. Who owns the equipment and other items purchased under the accountable reimbursement policies?**

The church. If a church has paid for items through an accountable reimbursement policy, the equipment or other property belongs to the church, unless there is some other agreement. This issue of ownership usually does not come up until a pastor receives a new appointment and wishes to take equipment with him/her. It is not an issue in relation to travel, continuing education, professional dues, or entertainment expenses, which are not "tangible" things. Likewise, it would not often be a problem for office supplies, postage, periodicals or personal religious supplies, such as robes. These items are used up or are so personal that they have limited or no value to the church.

A computer is the most common item that raises this question. In this day and age it is important for the church to supply staff with a computer. However, if the pastor needs a computer, and the church has not budgeted for this purchase, the pastor may want to use accountable funds to make this purchase. While the pastor is at the church, the pastor uses the computer for business purposes.

What happens when the pastor, Rev. Dos, who purchased a computer with accountable reimbursement funds, leaves?

Rev. Dos decides she likes her computer and wants to take it to her new appointment. She approaches the chair of the SPRC and offers to personally purchase the computer for current fair market value (a purchase, at fair market value, would not be a taxable event). The SPRC decides to give the computer to Rev. Dos. The gift is a taxable event and the value of the gift for income tax purposes is the current fair market value.

**25. Do accountable reimbursement policies include the housing allowance?**

No. These are totally separate and need to be established and maintained separately. Accountable reimbursement policies are for business expenses, are available to all church staff, and can be used by any business or organization. Housing allowances relate only to clergy, as ministers of the gospel, and are authorized specifically by Internal Revenue Code § 107.

**26. Do accountable policies include a cafeteria plan (flexible spending plan) for medical reimbursements?**

No. However it is possible to set up cafeteria or flexible spending plans that may allow church staff to have medical reimbursements, dependent care reimbursements, and life insurance coverage, without income tax consequences. *All of the above arrangements need to be set up properly in a separate resolution or plan, with the assistance of a tax and benefits advisor, and must conform to the applicable Internal Revenue Code provisions.*

**27. Are there any pension concerns when using an accountable reimbursement policy?**

No. Amounts that are paid as accountable reimbursements are not part of "includible compensation" for certain pension contribution limitations established by IRS rules.

**28. What are the implications of an accountable reimbursement policy for local church/conference reporting information?**

GCFA's Local Church Report to the Annual Conference and Local Church and Pastor Compensation and Expense Worksheet forms have been changed to show the distinction between **reimbursements** established for the pastor and **allowances** paid to the pastor. In the Report, line 66 is for reimbursements and line 67 is for allowances (other than the housing allowance that is put on line 65).

**29. How should "ticketless" airline expenses be substantiated?**

It is necessary that the documentation show the date, place, amount and business reason for the trip. The IRS has suggested that the itinerary from a travel agency and/or the airline receipt, along with an explanation of the reason for the travel, should be sufficient.

*These Q & As are provided to give suggestions for establishing an accountable reimbursement policy. It is important to examine each situation closely to determine the correct result, because each church setting, ministry, budget and pastor are unique. The General Council on Finance and Administration is not engaged in providing legal or accounting services. The service of a competent professional should be sought for legal and tax advice.*

## Examples of Proper Reimbursement Items\*

Reasonable travel and related expenses for attending meetings (e.g., annual conferences, United Methodist meetings, etc.)\*\*

Church-approved trips to preach at another church

Trips to meet with the district superintendent, bishop or director of connexional ministries

Trips to visit members at hospitals, nursing homes, or parishioner's homes

Lunch meetings with officers of the church to discuss church business

Supplies for the church office (e.g., paper, pens, forms, notebooks, etc.)

Church-related continuing education

A computer required for church work

Vestments worn for worship

Church-related books and periodicals

Office furnishings and equipment (e.g., desk, chairs, telephone, etc.)

Spouse's travel expenses where the spouse accompanies the pastor **but only if the spouse was required by the church to be present for a business purpose** (e.g., the spouse is an elected delegate to the church meeting or group in charge of registration at the meeting and making a speech to the business meeting, etc.)

Business-related automobile operating expenses (if standard mileage rate was not used)

Long distance telephone calls to church when on vacation

Church-related telephone calls from the parsonage (most telephone expenses are covered under the housing allowance)

Many business related (non-personal) expenses allowable on Schedule C of the IRS tax return

*\*The items listed are, in most cases, proper. There may be some circumstances in which the church has specifically prohibited purchases. Each individual church must, in consultation with staff, make its own decision about what expenses are "professional and business" expenses and whether it will cover those items.*

*\*\*If the conference pays a pastor 15 cents per mile for attending a conference meeting, it is proper for the church to reimburse the difference between the church's rate and the 15 cents. For example, if the church reimburses staff travel at 31 cents per mile, in this case, the conference would pay 15 cents per mile and the church would pay 16 cents per mile for mileage.*

### **Examples of Improper Reimbursement Items\*\*\***

Mileage to church from home for daily work (considered personal) - Mileage to home and back to church for lunch break

Meals with friends at which church matters are discussed

Spouse's travel under most circumstances (see example of proper reimbursement in limited circumstances above)

Vacations (including trip to Holy Land)

Books to plan vacation to Holy Land

Trips to visit sick relative

Trips to funeral home where that pastor is personally paid an honorarium for service (may be deducted on a Schedule C)

Tickets to attend the play "Joseph and His Amazing Technicolor Dream Coat"

Expenditures (e.g., travel, books, phone calls) to research a book or article

Continuing education primarily for personal improvement

A computer used primarily by family

Everyday clothing, including business suits

Alcohol, even as an item on a receipt for a business meal

Medical expenses (may be part of a cafeteria or flexible spending accountable reimbursement policy)

Child care/dependent expenses (may be part of a cafeteria or flexible spending reimbursement plan)

Life or disability insurance premiums

Medical insurance premiums (may be part of a cafeteria or flexible spending plan)

Charitable contributions, tickets to charity functions

Expenditures related to a private business or generating income from a non-church source

Housing related expenses (e.g., utilities, furniture, upkeep (these are part of the housing allowance)) except to the extent they relate to an office

Subscriptions to a national news magazine for the pastor's personal use

*\*\*\*The items listed, in most cases, are improper. There may be some circumstances, particularly where the church has directed the staff person to make the expenditure for church mission, when these items may be proper. Each individual church must, in consultation with staff, make its own decision about what expenses are "professional and business" expenses and whether it will cover those items.*

## Q & A

### LOCAL TRANSPORTATION EXPENSES

The following questions and answers provide information on church local transportation expenses for clergy and staff. The Q&As assume a local church situation where the staff person's principal place of business is at the church (**not at home**) and the staff person is given a reimbursement rather than deducting the expenses on his/her tax return. At the end of these Q&As, there is a separate discussion dealing with transportation expenses for pastors serving multiple-point charges.

In general, the rules for reimbursable local transportation expenses can be complex and unusual fact situations cannot be dealt with here. (See IRS Publication 463 - Travel, Entertainment, Gift, and Car Expenses, for additional information) As always, you should consult with your own tax advisor when making tax related decisions.

**1. What are the general rules for distinguishing between commuter mileage/personal mileage, which is not reimbursable, and business mileage for local transportation, which may be reimbursed to a church staff person?**

Business related travel, including local transportation expenses incurred as part of the staff person's work, are reimbursable expenses. Commuter expenses/personal travel between the staff person's home and a regular work location or personal trips are not reimbursable. Commuter expenses occur when a staff person goes from home to the church, which is the regular work location. However, if the staff person goes from the church or home to a special meeting away from the church or on a parishioner call, this is properly a business expense.

**Examples of non-reimbursable trips starting at home or at church:** Trips to the church, a temporary office within a metropolitan area, for a personal errand, or to an evening meeting at the church.

**Examples of reimbursable trips starting at home:** A clergy person who as part of his/her job visits a parishioner at home or at the hospital, a trip to a business meeting away from the church, a meeting with the district superintendent, performing a funeral service, and the like.

**2. Is a trip taken for an emergency evening meeting at the church by a staff member a reimbursable business expense or commuter expense? What about a trip home to pick up a draft of my sermon that I was working on at home last night?**

All trips that relate to your personal commute from your home to the church are not reimbursable. This includes travel to your regular church work site, home from work, back to the church (where you regularly work) at night, and all personal trips (home or elsewhere).

**3. Is travel to a church approved continuing education event reimbursable?**

Yes.

**4. By the way, what specific expenses are reimbursable?**

You can be reimbursed for the actual expenses of operating a vehicle or the standard mileage rate (published annually by the IRS), plus business related tolls and parking. If you receive more than the standard mileage rate, the excess is treated as income; if you receive less, the difference can be treated as a deduction.

**5. What kind of records should I be keeping for my transportation expenses?**

You should keep a travel log showing the date, place, mileage, and business purpose of all trips.

**6. Are there special rules for staff with part-time appointments who have another job?**

Yes. If you work at two workplaces in one day, whether or not for the same employer, you can be reimbursed (if the same employer) or deduct the expense of getting from one job to the other.

**7. Do these rules change if my office is in my home and this is my principal place of work?**

Yes. Be aware that the IRS is very strict about the tests used to determine if your home is indeed your principal place of business. If you are provided a place to work in the church and choose not to use it, the IRS probably will not allow you to treat your home as your principal place of business. If you meet the IRS tests, then you will have business rather than commuter expenses when you travel to other locations for the church.

**8. How are "transportation expenses" (discussed here) different from "travel expenses"?**

Basically, the IRS defines "travel expenses" as those relating to overnight travel away from home. The rules pertaining to travel expenses are also discussed in IRS Publication 463.

## TRANSPORTATION EXPENSES FOR PASTORS SERVING MULTIPLE POINT CHARGES

Listed below are examples of local travel situations that might arise for a pastor serving a multiple point charge.

### **Example 1**

Pastor Smith serves Church A and Church B. Four days a week he spends the morning at Church A and the afternoon at Church B. One day a week he visits parishioners in hospitals, nursing homes, and the homebound. He lives one block away from Church A and often walks to Church A rather than drive. He then walks home for lunch. After lunch, he drives to Church B.

**Is the drive from his home to Church B a reimbursable business expense?**

*No. This is a commute from home to a regular business location (not temporary) and as such it is non-reimbursable commuter mileage.*

### **Example 2**

Same as Example 1, except that Pastor Smith walks back to his driveway, does not go into the house, gets in the car and drives to Church B.

**Is the drive from his home to Church B a reimbursable business expense?**

*Probably. The IRS allows travel between two work locations as a business expense. Because his car is parked only one block away, this may be treated the same as if he had driven directly from one business location, Church A, to another business location, Church B.*

**Is the drive from Church B to his home at day's end considered a reimbursable business expense?**

*No. It is commuter mileage.*

### **Example 3**

Pastor Smith starts the day by driving to Church B. At 5:00 PM, he leaves Church B and goes home.

**Is the drive from his home to Church B a reimbursable business expense?**

**Is the drive from Church B to his home a reimbursable business expense?**

*No. Both are non-reimbursable commuter mileage.*

**Example 4**

Pastor Smith starts the day by driving to Church B. He leaves Church B and goes to park his car in his house's driveway. Then, without going into his home, he walks over to Church A for a meeting.

**Is the drive from his home to Church B a reimbursable business expense?**

*No. It is commuter mileage.*

**Is the drive from Church B to his driveway (but not going into his home) a reimbursable business expense?**

*Probably, because he went directly (directly being considered within one block of his home and not going into his home) from one business location to another.*

**Example 5**

On Sunday mornings, Pastor Smith walks to Church A. After the worship service, he walks back to his driveway, (but does not go into his home) gets in his car and drives to Church B to hold worship.

**Is the drive to Church B considered a business expense?**

*Probably. As in Example 2 above, he is essentially going from one business location to another. Because his car is parked only one block away in his driveway, and he does not go into his house, this could be viewed as direct travel between two work locations.*

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**A MATTER OF GOOD STEWARDSHIP:  
TIPS FOR RESPONSIBLE HANDLING  
OF A PASTOR'S DISCRETIONARY FUND**

By the GCFA Legal Department

September 2001

United Methodist churches commonly have a fund called the pastor's discretionary fund, which is intended to give the pastor complete discretion and authority to provide confidential financial support to persons in need. In some local churches, the pastor is given free reign, with no guidelines or instructions on how the church intended for the pastor to handle these monies. In other local churches, the pastor is given some guidance, but it may be very general or unclear, given orally or understood culturally. In addition, in some churches pastors understand that they can use these funds to pay for program or other expenses that are not totally covered by the budget. All of these churches and their pastors no doubt are unaware of the potential income tax consequences to these arrangements.

Regardless of the level of trust between the congregation and its pastor (or between the pastor and the finance committee, treasurer and financial secretary) written policies for the responsible handling of the pastor's discretionary fund are beneficial for everyone and should minimize negative income tax consequences. If the pastor has complete discretion, without clear guidelines or financial policies, there is a risk that the entire fund could be construed as income to the pastor, simply because the pastor ultimately has the discretion to pay the funds to himself.

### **Tips**

Set forth below are some tips for local churches on the responsible handling of a pastor's discretionary fund.

- Establish a written policy that: 1) sets forth the exclusive purpose(s) of the fund with specificity and clarity (Is it to be used only for providing assistance to the needy? May the pastor use it for any other purposes and, if so, for what specific purposes, consistent with the program and budget of the church); 2) requires the pastor to document and record distributions from the fund (and authorizes the church to request additional documentation) showing the types of assistance provided during any given year (for example: \$100 was given to a needy family to purchase groceries; \$500 was given to a needy family to pay for hospital emergency room treatment for a seriously ill child; \$150 was given to a needy elderly woman to provide her with transportation to and from a kidney dialysis center for a year; bus tickets and a new pair of shoes and slacks were purchased for a homeless person who had a job interview); 3) encourages the pastor to use the monies for goods and services rather than cash assistance (examples: taxi fare, bus ticket, a bag of groceries, a pair of shoes, a doctor bill), which helps to protect the pastor, the church and the persons receiving assistance from

accusations of irregularity or private inurement; 4) requires the pastor to request the funds from the treasurer on some type of request voucher form, as an internal control mechanism over access to the fund (note: this can be done and still maintain confidentiality for the specific needy persons who will be beneficiaries); 5) requires the fund to be audited with the other church funds; 6) states that the fund may not ever be used by the pastor for himself or his family, and 7) limits the dollar amount that may be expended at any one time without advance written permission from the church council or finance committee.

- Educate new pastors, finance secretaries, treasurers, finance committee chairs and church council chairs on the existence and purpose of the fund and the internal controls and policy that have been established to protect the church and all persons from accusations of irregularity or private inurement;
- Give the pastor authority to distribute the fund only for the specified purpose and consistently enforce the limits on this authority;
- Educate all new pastors about the policy, and ensure that they understand the church's protocols (for example, make sure the pastor knows that the funds can never be used personally or for any family member, for any purpose, including but not limited to college tuition for the pastor's children or other family members; health care expenses for the pastor and his family; emergency cash for the pastor or family members; etc.)
- Educate all new pastors, treasurers and financial secretaries about these matters, and ensure that they understand the potential income tax implications if the church's policy is not followed carefully
- Ensure that the pastor does not keep a stash of emergency cash in his/her desk for quick disbursement, because security and internal controls for cash in a desk drawer are inadequate;
- Account for all expenditures on church financial statements and reports, including the Local Church Statistical Table II
- Retain administrative control over the fund to ensure that all distributions further the church's mission and ministry, and are in keeping with its tax exempt status.

#### **Examples of Inappropriate Use of Pastor's Discretionary Fund**

- 1) **Appropriate:** Pastor Dave's church has a written discretionary fund policy with careful internal controls. The annual budget for the fund is \$2,500, and Pastor Dave is allowed to spend no more than \$300 at any one time. The written policy specifies that the discretionary fund may be used only to provide care for the needy. During the year, Pastor Dave submits appropriate

documentation for the following expenditures under this fund: 1/5/01 - \$100 for grocery coupons for needy family in church community; 2/14/01 - \$200 to Meadows Community Center, Inc. for winter boots for children of needy families; 2/20/01 - \$100 paid directly to utility company for heat bill for needy family; 4/10/01 - \$172 for groceries for homeless family in church community; 4/3/01 - \$100 for 5 bus passes for men at homeless shelter; 8/1/01 - \$300 for Wesley House for school supplies for needy children; 8/20/01 - additional \$300 for Wesley House for school supplies for needy children (approval of church council obtained for additional expenditure); 10/15/01 - \$275 for groceries for food pantry for Thanksgiving baskets for needy families; 11/2/01 - \$200 for winter coats for children at Meadows Community Center; 11/30/01 - \$50 for cab fare coupons for elderly woman in need of transportation for kidney dialysis until regular volunteer driver's car is repaired.

- 2) **Appropriate expense but troublesome procedures:** Pastor Cathy is given a \$5,000 discretionary fund each year. The church does not have a written policy about how the funds are to be used. The funds are kept in a separate checking account, for which Pastor Cathy is the sole authorized signer on the account. Pastor Cathy always uses the funds for the same purposes each year: to purchase school supplies and winter coats for needy children in the area; to provide homeless persons with a Thanksgiving and Christmas dinner at a local restaurant; to purchase food and bus passes for the church's most needy families. While the use of the funds in this example is fine, the scenario is troublesome because of: a) the lack of internal controls (two signers on the account; documentation of the expenses for the church treasurer or financial secretary; b) the absence of a written policy stating that Pastor Cathy may not use the funds for anything other than assistance to needy persons and families; and c) the absence of any protocols to prohibit Pastor Cathy from using the funds for any personal purposes may make the entire \$5,000 taxable income to her.
  
- 3) **Might be inappropriate:** Pastor Nancy used the discretionary fund to buy a bag of groceries for all new members of the church. While it is certainly appropriate for the church to give a small gift of hospitality to all new members of the church, the pastor's discretionary fund should not be used for this purpose unless the written church policy specifically states that this is one of the authorized purposes for the discretionary fund. It would be more appropriate for the hospitality gifts for new members to come from the budget of the evangelism committee. It would be especially inappropriate to use the discretionary fund for hospitality gifts to all new members if the church's policy intends for the discretionary fund to be used for needy families, unless all new members of the church qualified as needy.

- 4) **Unwise under most circumstances:** Pastor Tom distributed \$1,000 out of the discretionary fund to pay for Christmas gifts to his staff. It is appropriate for a church to authorize its pastor to use church funds to take staff out for a Christmas lunch, at the church's expense, and it is appropriate for the church to buy small gifts of appreciation to staff for special occasions. It is best for these expenses to come from a specific line item in the budget where other staff support expenses are borne; also it might be more appropriate for these types of expenses to come from the budget of the pastor parish relations committee, where there may be greater accountability and control over the expenditure.
- 5) **Probably inappropriate:** Pastor Janet used \$2,000 of the discretionary fund to pay for new appliances in the kitchen of the parsonage. While new appliances might have been needed and would be an expense appropriate for the local church to make, if it chose to do so, this scenario is troublesome because: a) the church should make the decision about what to upgrade in the parsonage, if the church is going to pay for that expense; b) the expenses of upgrading the parsonage should come from the budget for church property, or out of the pastor's housing allowance, depending on the circumstances and the arrangements between the church and the pastor regarding parsonage expenses; c) the discretionary fund should not be used for anything that appears to be for the benefit of the pastor or her family.
- 6) **Always inappropriate:** Pastor Robert borrowed \$5,000 from the discretionary fund to pay for his son's college tuition expense.
- 7) **Always inappropriate:** Pastor William distributed \$5,000 out of the discretionary fund to assist his daughter with the down payment for the purchase of a first home. His daughter otherwise would not have been able to purchase the home.
- 8) **Always inappropriate:** Pastor Sue's church has a written discretionary fund policy with careful internal controls. The annual budget for the fund is \$5,000, and Pastor Sue is allowed to spend no more than \$500 at any one time. The written policy specifies that the discretionary fund may be used for any of the following purposes: 1) providing care for the needy; 2) for special church projects that come up during the year without other budget dollars for support, provided that the pastor seeks approval of the church council before spending the money for any such project. The youth group approaches Pastor Sue to ask for help with a mission project that the church council will not agree to fund. Pastor Sue agrees to provide \$400 for the project. While the project might qualify for support under the discretionary fund policy (purpose #2), Pastor Sue should have gone to the church council for approval before agreeing to support the project.

In summary, regardless of how a church decides to fund a pastor's discretionary account (through the annual budget, special offerings, etc.), a written policy on usage with specificity and clarity, together with sound internal controls, are important protections for the pastor, the church, and those who are recipients of the funds. Confidentiality for recipients can be maintained even with these sound internal controls. Protecting the church's assets is a matter of good stewardship of the gifts that have been entrusted to the church to do God's work in the community and world.


**PACT**

# MINISTRY PROTECTION MEMO

## "YOUR CHURCH'S MONEY"

Ministry Protection Tips for PACT Leaders

Volume 1

Prepared by the PACT Service Center, Sponsored by the General Council on Finance and Administration

### Safeguarding Church Funds

Proper handling of funds donated to local churches is a critical responsibility, since these funds are vulnerable to the risks of theft or misappropriation. Collection of most local church funds via the Sunday offering presents unique problems for ensuring their proper and secure handling. These funds, frequently dealt with by volunteers, contain checks, currency and loose coin. They are collected outside of banking hours and generally are counted and secured during or following a Sunday morning or holiday service.



The existence of large amounts of cash may tempt persons facing financial difficulties, to "borrow" some of this money. Embezzlement or theft of local church funds can create a crisis of confidence in the ability of the local church to ensure that funds donated to and through it are used for the purposes intended.

Most of the "rules" for avoiding mishandling of local church funds are based on common sense.

1. Two unrelated people should always handle the collected offering. Their relationship should be devoid of any potential conflicts of interest or incentives for collusion (as could exist with husband-wife, employer-employee, business partners, members of the same family, etc).
2. Staff and volunteers who handle church funds should be bonded. Churches can purchase a blanket fidelity bond, similar to the one GCFA maintains for annual conference treasurers and certain other conference officers. Such bonds are standard in the PACT Program.
3. Receipt and disbursement functions should be handled separately and assigned to different individuals.

4. Church funds should not be taken to anyone's private home. Checks should be stamped "For Deposit Only" before they leave the church. Funds should be counted, verified and placed in secured bags for bank deposit or placed in the church safe for deposit as soon as possible. An alternative to counting offerings immediately following a service may be considered. Arrange for your bank to hold the funds via its night depository. Counting can then occur on Monday morning at the church or, in some circumstances, at the bank.
5. Financial reports should be audited on an annual basis and detailed monthly reports should be kept and reviewed. At least three unrelated individuals should be responsible for the separate functions of check writing, monthly bank statement reconciliation and the yearly audit.

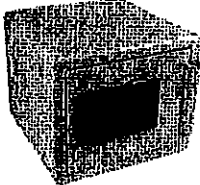


A large number of dishonesty cases involve the misuse of checks or long-term deposits. The annual audit should include a review of every check issued during the year, a comparison of each check to the check stub, bookkeeping entry and, if possible, the bill being paid. Bank statements should be audited with a comparison of both the checks written and the deposit slips, to be certain they balance. Long-term deposit accounts should be audited to note withdrawals and deposits and to ascertain the reasons for such activity.

These five rules can be utilized for developing detailed instructions to those persons assigned the responsibility of collecting, counting, and depositing the local church offering and for disbursing local church funds.

## Comparison of Procedures

Churches may wish to compare their procedures for handling church collections with the following:

1. Immediately after the collection has been completed, two unrelated persons should take the offering to the church office. There, the unopened offering envelopes and different monies should be placed in a money bag by the church secretary and treasurer and carried by them to be locked in the church safe. Churches without a substantial safe could place the money bag inside the pulpit or lectern stand rather than in the office, where it is accessible to thieves during the worship service.
 
2. Counting should take place in the church office, never at home.
  - a. Two unrelated persons should always be present.
  - b. Remove any notes or letters intended for the pastor.
  - c. One person counts while the other observes, and then the observer recounts while the original counter observes.
  - d. The offering totals should be recorded in ink on a cashbook sheet to be initialed and dated by both counters.
  - e. Sort the envelopes numerically and break by hundreds (or fifties in smaller churches). Each envelope should be opened separately, the amount counted and written on it. Loose checks should be put in an envelope, which indicates the contributor's name and amount given. Each group of envelopes should be proved by the double-count method and by footing in the cashbook. After this, the proved section may be merged with the loose plate cash.
  - f. Deposit slips should be made out in duplicate following the bank's instructions.

Both individuals should make the deposit. Both should reconcile the cash and checks to the deposit slip and initial the copy of the deposit slip and the duplicate tape of checks.

3. The Monday following the church services, the financial secretary should complete the records of contributions and reconcile them with the entries in the cashbook.
4. Mail containing cash or checks, should be counted by the financial secretary and an assistant. The totals should be entered in ink in the cashbook, checked and initialed by both parties.
5. A pre-numbered duplicate receipt book should be kept in the church office to be used for monies turned in or delivered there by individuals. A receipt should be completed for each transaction and the original given to the person delivering the money. The duplicate should remain in the receipt book and be available for audit.

Those persons involved in the local church collection and accounting process must be instructed on the importance of keeping any financial information confidential. The counting committee should be made aware of their sensitive role in maintaining confidentiality with regard to the giving levels of various members.

In smaller churches, the treasurer is generally responsible for preparing and signing checks. In these cases, the monthly financial report should include each check, its amount, and to whom and for what purpose it was written. Each church will want to review its process regarding how many persons must sign checks on behalf of the church.

In larger churches, a financial secretary will prepare the checks and a treasurer will sign them, or both will be required to sign checks prior to issuance. Blank checks should never be pre-signed. A process for approval of bill payments should also be established, generally involving designation of an authorized person to review and approve payment of bills for church expenses.

Careful and competent handling of church funds is critical in maintaining confidence among church members that their donations will be used as intended for the ministries of their congregation. The establishment of appropriate safeguards and procedures for handling church funds will assist persons responsible for those funds and also protect the work of the local church in general.



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