

REPORT #5
Proposed Conference Arrearage Policy

Background:

Recognizing that the South Georgia Conference has experienced for several years an alarming amount of arrearages owed to our pastors serving, the Equitable Compensation Committee submits this policy as an effort to protect both our clergy and the annual conference. Since direct billing of pension was initiated in 2006 (insurance has been direct billed for over 25 years), there have been more than \$1 million in shortfalls when local churches did not meet the compensation owed to pastors (typically unpaid health insurance premiums or the church's share in pension costs). When a local church does not meet its obligations, the other local churches in the conference must pay the bill through the apportionment system.

In 2012, the General Conference invited conference equitable compensation committees to develop an arrearage policy for the protection of clergy and the annual conference when a church or charge is unable to pay the full compensation due to a pastor, whether cash salary, housing, health insurance or pension obligations.

The policy below outlines our proposal to the South Georgia Annual Conference to adopt a policy which includes:

- A process for notification when compensation is in arrears
- Courses of action when an arrearage occurs
- A statute of limitations for claims against the Annual Conference
- Provisions for reporting churches whose arrearages have required disbursement from conference funds to compensate pastors

It is our hope that this policy can both 'bring into the light' some issues of financial concern as well as set our conference on a course to rectify a growing problem of arrearages.

Introduction

¶ 624.2. in *The Book of Discipline* allows for each annual conference to establish an arrearage policy to deal with the situations that arise or that have arisen in the past. ¶ 625.2.d entitled *Equitable Compensation*, also references the conference arrearage policy. Below is ¶ 624.1 where it states: **¶624. Payment Obligation – 1. Each church or charge has an obligation to pay the base compensation, the benefits adopted by the annual conference, and other ministerial support (including housing) adopted by the charge conference, to its pastor(s). If it becomes apparent that a church or charge will be unable to so provide the base compensation, support, and benefits adopted by the charge conference, the church or charge SPRC chair, finance chair, or treasurer, shall immediately notify, both in writing and verbally, the pastor, district superintendent and congregation. This communication shall indicate all avenues explored to meet the base compensation, support, and benefits, including requesting consideration for a short-term emergency subsidy grant from the Equitable Compensation Fund (¶ 625.7). If it becomes necessary to reduce a pastor's compensation, it shall occur at the end of the conference appointment year.**

The Commission of Equitable Compensation proposes that the South Georgia Annual Conference adopt the following Arrearage Policy in accordance with ¶¶ 624.2. and 625.2d of *The Book of Discipline*.

1. Local church treasurers receive a monthly statement on pension and insurance obligations. Beginning in January 2018, quarterly statements will be sent to all pastors and S/PPRC chairs to identify all pension and insurance obligations that are due. When the local church treasurer becomes aware that the church will be unable to provide to the pastor full payment of a regularly scheduled payroll or housing allowance installment, or to remit to the Conference Treasurer full payment for regular direct billed benefit payments such as pension and health care, the church treasurer shall immediately notify both verbally (within 24 hours) and in writing/via email (within 3 days) the Pastor, the Lay Leader, and the Chairs of S/PPRC, Finance, Trustees, and the Administrative/Church Council of the impending arrearage. Upon receipt of such notice, the Chair of S/PPRC and/or the Pastor shall immediately (within 3 days) notify the District Superintendent of the impending arrearage. It is the pastor's responsibility to keep copies of all such written notifications, and to provide additional written confirmation to the District Superintendent when an arrearage has taken place. Failure to document salary or benefit arrearages may result in a loss of compensation and/or forfeiture of pension and benefits.

2. Upon receipt of notice of a pending arrearage, the Chair of S/PPRC shall immediately (within 24 hours) call a meeting of the Pastor, Lay Leader, and Chairs of Finance, Trustees, and the Administrative/Church Council to discuss the financial situation and seek remedies to prevent an arrearage from occurring.

Such remedies might include:

- a. drawing from invested funds, including short-term borrowing from designated funds,
- b. an emergency appeal for special giving from the congregation,
- c. other sources

According to *The Book of Discipline* ¶624, such remedies cannot include a reduction in the Pastor's compensation until the beginning of the next Conference year.

3. If, after consultation among the Lay Leader and Chairs of S/PPRC, Finance, Trustees, and the Administrative/Church Council, it becomes apparent that the church may be facing a long term financial crisis, the Chair of S/PPRC shall notify in writing the Pastor and District Superintendent that:
 - a. A temporary Equitable Compensation Subsidy Grant may be necessary to maintain compensation for the remainder of the Conference year, or
 - b. a change in pastoral compensation or appointment may be necessary at the beginning of the following Conference year.
4. If the local church becomes delinquent in the pastor's cash compensation plus housing (i.e. more than 30 days delinquent), the District Superintendent shall then notify the Commission on Equitable Compensation, which on its own initiative may do any or all of the following, but not limited to:
 - a. Meeting with the local church and pastor to seek resolution of the issue,
 - b. Developing with the local church a payment plan so that the pastor receives full payment of compensation by the end of the conference year.
5. If a local church becomes delinquent in the payment of the pastor's direct billed pension and benefits (i.e. more than 30 days delinquent), then the Conference Treasurer shall notify the District Superintendent, and the Commission on Equitable Compensation. The local church shall submit a payment plan to the Conference Benefits Officer, including the District Superintendent and the Committee on Equitable Compensation. The plan submitted must ensure that the Conference receives full payment of pension and health benefits by the end of the conference year.
6. It is the responsibility of the pastor to provide evidence of an arrearage by providing documentation such as: Treasurer's Reports, Charge Conference reports of adopted salary and compensation, check stubs, W-2 forms. A note accompanying such documentation shall be signed by the Pastor, S/PPRC Chair, Trustee Chair, Treasurer, and Administrative/Church Council Chair.
7. The statute of limitations for filing a claim for funds from the Annual Conference (i.e. notification to the District Superintendent of the arrearage) for any salary arrearage is one year from the date of the initial arrearage. Once an appointment ends the Pastor no longer has claim on the local church for compensation funds (¶342.4).
8. An Administrative Complaint may be filed against a pastor who fails to report an arrearage according to the time lines established in this policy.
9. Churches which are in arrears to the Annual Conference with respect to benefits payments will be reported in the Annual Conference *Journal* as "churches receiving equitable compensation." These specific churches will be reported based on the following methodology:
 - A. Benefits balances "greater than 180 days" at the end of the current year to the end of the previous year.

- B. Any church whose “greater than 180 days balance” increased based on item (1) will be reported as a “church receiving equitable compensation.”
- C. Continuing our conference’s practice, funding for such churches will be provided via the “*Benefits Underpayment*” line item in the conference budget until exhausted. Additional funds will be paid out of conference reserves. These payments shall be considered as payments on behalf of the local church, and the conference retains the right to have these payments reimbursed by the local church.