

## **“Toward an Arrearage Policy” Q&A on Compensation Arrearages**

1. What constitutes clergy compensation?

Salary, parsonage or housing allowance, pension benefits, and health insurance.

2. How is clergy compensation paid?

Pension and health benefits are paid by the treasurer of the local church upon receipt of the monthly invoice sent from the Conference Office of Administrative Services.

Salary, and any utility allowance or housing allowance, is paid directly to the pastor by the local church.

3. What is an “arrearage”?

An arrearage occurs when a local church does not pay all of the salary, or pension, or health insurance of the clergyperson under appointment to that local church.

4. How is the underpaid amount covered so that the clergy person does not go without salary, or pension, or health insurance?

The South Georgia Conference is obligated to pay the pension and health insurance costs to the general boards of the denomination. Our local churches are direct billed for each clergyperson under appointment. When the local church fails to pay these bills, the South GA Conference Administrative Services office still must pay for these benefits.

Due to underpayment of these bills, the conference has had just two options: use apportionments or draw from our reserve funds. Sadly, even with allocating \$80,000 in our conference budget for benefits underpayment, this does not cover the sum total of arrearages we experience each year.

5. How do I find out if my church has an arrearage?

Ask the treasurer of your local church. The treasurer receives regular updates from the Conference Office of Administrative Services

outlining the status of any arrearages for salary, pension, or health insurance.

6. If a local church has an arrearage, what is the next step?

The local church shall work with the District Superintendent to develop a written plan for payment of the arrearage.

7. What can we do to help local churches address arrearages that have accumulated over several years?

The Equitable Compensation Committee is inviting the Cabinet, the Conference Board of Pensions, and the Council on Finance and Administration to collaborate in the development of specific strategies that will be helpful to local churches.

It is believed that our Conference must address this growing problem, so that we can direct financial resources to ministry opportunities, not toward rectifying indebtedness toward clergy compensation.

A task force composed of representatives of each of the four groups listed above will meet over the next several months in order to move forward with the development of proposals that can be submitted to each group for perfection and final approval. It is anticipated that these plans will then be brought to the Annual Conference session in 2018.

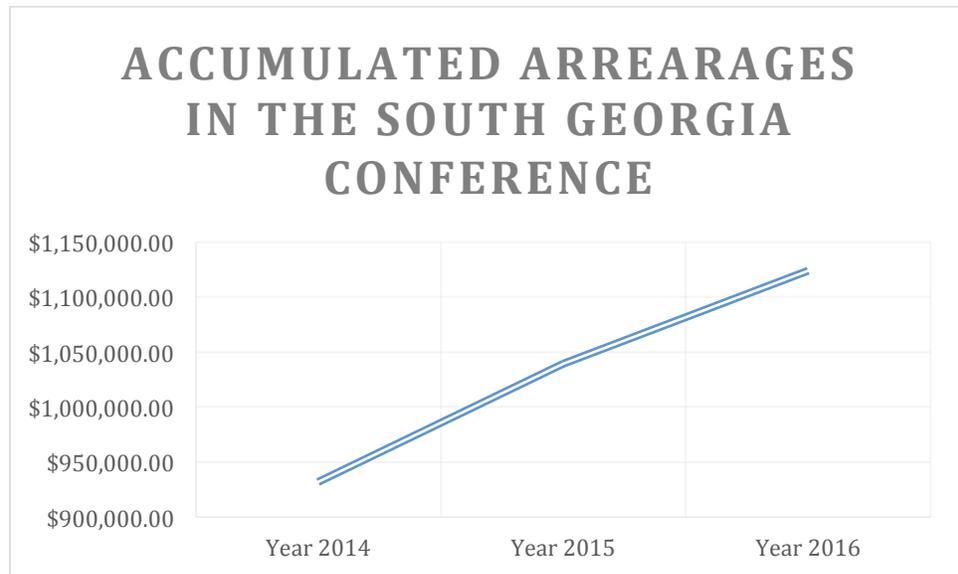
8. What is the severity of this issue in the South Georgia Conference?

We have now accrued more than \$1,000,000 in arrearages, with the total growing each year. It is incumbent that we address this 'family problem,' soon so that we can better focus on our mission of making disciples of Jesus Christ for the transformation of the world.

In recent years, there has been a deficit on payment of pensions and health benefits consistently averaging more than \$250,000 less than what has been billed.

More problematic is the fact that the accumulated debt by our churches is increasing, not decreasing. Our churches are falling further behind with debts snowballing to levels that are highly alarming. Since 2006 (when we began direct billing to churches for

health insurance and pensions), our underpayments have now grown to \$1,123,961.92 through the end of 2016.



9. What are the implications for the South Georgia Conference?

First, we have to work through trying to collect this money from our local churches that have fallen behind. This is met with varying success.

Secondly, whether we ever collect the money or not, the South Georgia Conference must pay the entire obligation to the respective general boards of The United Methodist Church, through whom these benefits are provided.

Therefore, apportionments and/or reserve funds must be used to secure the compensation that has been promised to our ministers.

10. My church pays 100% of conference apportionments and full salary, pension, and health insurance.

Thank you! It is because of churches like yours that the South Georgia Conference is able to operate on a solid financial foundation that enable us to support mission and ministry in our area, in our nation, and all around the world.