



Training Tuesday

Board of Trustees



What is a Trustee?

A person who holds property/assets for the benefit of another known as the beneficiary.

The trustee has a fiduciary duty to act in the best interest of the beneficiary.



Fiduciary Duty

The duty to act for someone else's benefit while subordinating one's personal interests to that of the other person.

More specifically it can be defined as:

Duty of Loyalty

Duty of Care



Duty of Loyalty

Legal duty of directors and officers to act at all times in the best interest of the organization, instead of in their own interest.



Duty of Care

Legal duty of directors or officers to act for the organization in the same manner that an ordinarily prudent person would act under similar circumstances in managing his or her own business affairs.



Components of Duty of Care

- Reasonably Informed
- Reasonably Prudent
- Use independent Judgement



Breach of Duty

- Willful negligence
- Personal Liability

The *Discipline.*



- 258.3 Establishes the Board of Trustees
- 2501 Trust Clause Requirement
- 2503 Trust Clause Language
- 2506 Discipline vs Local Law
- 2510 Limitation of Financial Obligations
- 2525 - 2551 Outline of Board of Trustees

Qualifications

¶2525



- not fewer than three nor more than nine persons
- recommended that at least 1/3 be laywomen and 1/3 be laymen.
- shall be of legal age
- 2/3 shall be professing members
- Pastor has no vote unless duly elected as a member of the Board.

Election

¶2526



- divided into three classes with equal number of members in each class (each class will have 1, 2 or 3 members)
- by Charge Conference
 - on recommendation of Comm. on Lay Leadership
 - from the floor
- Term begins with new calendar year unless otherwise stated
- Term is for three years or until successors have been duly elected
- Nothing prohibits self-succession

Church Local Conference ¶2527



Defines the role and responsibilities of local church conference vs Charge Conference

The Board of Trustees is the only body that has legal standing to represent the church's interest in the secular legal system

Charge Conference Authority ¶2529



- Incorporation
- Purchase, sale, mortgage, encumbrance, construction, repair, remodeling and maintenance of all property
- Acceptance and rejection of all gifts and conveyances.

Organization

¶2530



- Convene in first thirty days of calendar year for election of Officers
- Elect, Chairperson, Vice-Chairperson, Secretary, *Treasurer*
- Chairperson and Vice-Chairperson shall not be from the same class.
- Chairperson must be a professing member
- Secretary and Treasurer may be the same person
- Officers serve a term of one year

Removal and Vacancies ¶2531



- Trustee is removed when they withdraw their membership from the United Methodist Church.
- Charge Conference can remove for failure to fulfill duties.
- Church Council can fill vacancies between Charge Conferences

Meetings ¶2532



- Meetings are at the call of the Pastor or Chairperson
- Must meet at least annually
- Majority members of Trustees constitutes a quorum

Responsibility as Trustee (para 2533)



- Care of all Church Real & Personal Property
- Provide adequate insurance coverage
- Ensure the use of facilities by outside groups is consistent with the Social Principles
- Review the Parsonage annually with SPRC
- Manage Bequests, Legacies and Trusts
- Conduct an annual Accessibility Audit

Annual Report to Charge Conference (para 2550)



- Legal description and valuation of each parcel of Real Estate
- Name of the Grantee of each deed of conveyance
- inventory and valuation of all personal property owned by the church
- amount of income received from income producing property

Annual Report to Charge Conference (continued)



- Amount received from building campaign and amount expended
- Outstanding capital debt
- Statement of insurance coverage
- name of custodian of legal records and location
- list of all trusts naming the church as beneficiary
- Results of Accessibility Audit



Trustee Relationship to Other Groups

- Charge Conference
- Church Council
- Staff-Parish Relations Committee
- Committee on Finance
- Church Business Administrator



Q & A

Insurance Coverages



- Property, Fire, Theft
- General Liability
- Sexual Misconduct
- Directors and Officers Liability
- Employment Practices
- Workers Compensation
- Auto

Property



- Buildings, Pipe Organs & Contents - Insured to Replacement Value, “Special Risk” Coverage
- All Church buildings should have an updated replacement cost valuation every five (5) years.
- The replacement cost valuation must be updated within 180 days if additional square footage is added.

Property



- A Church building may be insured on an actual cash value basis where replacement cost valuation is not an option available to the Church. The Church should understand that it is being insured on an actual cash value basis and use its best efforts to complete the necessary upgrades and renovations required to qualify for replacement cost valuation coverage.

Liability (minimums)



- **Commercial General Liability**

- Occurrence \$1,000,000 Aggregate \$3,000,000

- **Pastoral Counseling Liability**

- Occurrence \$1,000,000 Aggregate \$3,000,000

- **Hired and Non-Owned Auto Liability**

- Occurrence \$1,000,000 Aggregate \$3,000,000

Liability (minimums)



- **Employee Benefits Liability (EBL)**

| | | | |
|------------|-------------|-----------|-------------|
| Occurrence | \$1,000,000 | Aggregate | \$1,000,000 |
|------------|-------------|-----------|-------------|

- **Crime / Employee Dishonesty** Occurrence \$25,000

- **Medical Payments** \$10,000

Liability (minimums)



Sexual Misconduct Liability

- Church Membership of 500+

| | | | |
|------------|-------------|-----------|-------------|
| Occurrence | \$1,000,000 | Aggregate | \$2,000,000 |
|------------|-------------|-----------|-------------|
- Church Membership under 500

| | | | |
|------------|-----------|-----------|-----------|
| Occurrence | \$250,000 | Aggregate | \$500,000 |
|------------|-----------|-----------|-----------|

Liability (minimums)



- **Directors' & Officers** \$1,000,000
- **Employment Practices Liability – Option 1** \$1,000,000
(including Sexual Harassment)
 - Required for churches with 500 or more members or any church with a preschool, school, or camp
- **Employment Practices Liability – Option 2** \$250,000
(including Sexual Harassment)
 - For churches with fewer than 500 members that do not have a preschool, school, or camp

Liability



UMBRELLA / EXCESS LIABILITY

- An Umbrella / Excess Liability policy is suggested for all churches and required for those with a membership of five-hundred (500) or more.
- If applicable, this excess policy must extend over Commercial General Liability, Pastoral Counseling, Employee Benefits Liability, Owned Auto, Hired & Non-Owned Auto and Workers Compensation. A higher per occurrence limit may be appropriate based on specific risk characteristics such as church size and/or scope of operations and ministries.

Liability (minimums)



- **WORKERS' COMPENSATION / EMPLOYERS LIABILITY INSURANCE**, as required by state law:

- | | | |
|-----------------------------|---------------|-------------|
| • Bodily Injury by Accident | Each Accident | \$1,000,000 |
| • Bodily Injury by Disease | Policy Limit | \$1,000,000 |
| • Bodily Injury by Disease | Each Employee | \$1,000,000 |

Liability (minimum)



COMMERCIAL AUTOMOBILE LIABILITY

(applicable only if the church owns an automobile; to include the following minimum limits:)

- Limit of Liability \$1,000,000

INLAND MARINE

- Required if you have a boiler type heating system

Risk Management



- Fire Hazards
 - Damaged wires
 - Overloaded outlets/surge protectors
- Slips, trips or falls
 - Raised sidewalks
 - Loose carpeting
 - Stair treads

Risk Management



- Nurseries and day care centers
 - Licensed Director
 - Trained staff
 - Safe Sanctuaries policy being followed
 - Look for choking hazards
- Sexual abuse
 - Safe Sanctuaries policy being followed

Parsonage



- Annual Inspection with SPRC
- Accessibility
- Renting the Parsonage
- Selling the Parsonage

Parsonage



Renting the Parsonage

- Requires a written lease agreement
- Must provide Housing Allowance to Pastor
- Maintenance/insurance is still required
- Subject to Property Taxes

Parsonage



Selling the Parsonage

- Requires Charge Conference Action
- Must provide Housing Allowance for Pastor
- Proceeds of sale are restricted to Capital Improvements or providing for Housing Allowance
- Do you require Pastor to live in the local community?

Cemetery



- Incorporate Separately?
- Accurate record keeping
- Perpetual Care Funds
- Register with State



Q & A