

Form 136: Salary Continuation Plan (SCP) Guidelines

A Salary Continuation Plan (SCP) is a key part of preparing your pastors and staff for a potential disability claim. Establishing an SCP in advance ensures income paid during the disability plan's elimination period is treated as a benefit rather than regular salary - an essential distinction for meeting the "loss of income" requirement for Short Term Disability (STD) and Long Term Disability (LTD) claims. Being thorough, accurate, and proactive helps prevent delays or denials in the claim process.

Editable sample organization policy document, board resolution, and employee notice available by request.

When Should a Church Establish an SCP?

Churches should adopt an SCP before any employee becomes disabled or files a claim. IRS rules require the plan be written, approved, and effective prior to the onset of disability.

An SCP is especially important because disability benefits begin only after the elimination period has been satisfied:

- STD elimination period: 14 days
- LTD elimination period: 90 days

During this waiting period, the employee must demonstrate a loss of income. Continuing regular salary during this time can unintentionally invalidate a disability claim.

Step One — Understand the Purpose of an SCP

An SCP is a formal, written policy adopted by the church to provide structured income to an employee who is unable to work due to illness, injury, or pregnancy. Payments made under an SCP:

- Are considered a benefit, not regular salary
- Do not interfere with the "loss of income" requirement
- Can be customized by the church (percentage, duration, eligibility)
- Are funded by the employer and paid through normal payroll processes

When both STD and LTD are offered, the STD benefit period satisfies the LTD elimination period. In this case, the SCP only needs to cover the STD elimination period (14 days).

Step Two — Review IRS Requirements

To comply with IRS rules and maintain the integrity of disability benefits, an SCP must meet all of the following:

- The plan must be detailed in writing.
- The plan must go into effect before the onset of disability.
- The church board must approve the plan through a written resolution.
- A copy of the plan and resolution must be on file with FCMM.

Step Three — Draft the Written SCP

The written SCP should clearly specify (sample policy on page 2):

- Eligibility (e.g., full-time staff, pastoral staff, benefit-eligible employees)
- Benefit percentage (commonly 60–70%, up to 100%)
- Maximum duration (up to the full elimination period)
- Use of sick leave before SCP benefits begin, if applicable
- How payments are handled (regular payroll, separate payroll, third party, etc.)
- Effective date
- Board approval language

Step Four — Submit to FCMM

Once approved by the church board:

- Retain the signed policy and resolution in church records
- Send a copy to FCMM for documentation
- Contact FCMM Client Services with further questions

**COMPANY NAME
PERSONNEL ADMINISTRATION
POLICIES AND PROCEDURES**

Subject: Salary Continuation Policy

Implemented: Date

Reviewed: Insert dates policy is reviewed by board

Revised: Enter Dates policy is revised...

Policy Number: _____ *(if you number your internal policies use this space to do that)*

I. STATEMENT OF POLICY

Salary Continuation is provided, to benefit eligible employees, to help protect and replace a portion of the individual's income in the event that an employee suffers an extended absence from work due to major illness or injury, sickness or pregnancy. Salary Continuation benefits are designed to protect income for a specific period of time. If the disability continues past this specific period of time, as defined in the company policies, you may be eligible for continued benefits under the Fully Insured long-term disability plan. See the LTD policy certificate for benefits provided under that coverage.

II. PRACTICE/PROCEDURE

A. Eligibility:

1. All regular employees working _____ or more hours per week are eligible for coverage for themselves. Temporary or part-time employees and retirees are not eligible. Employees may not enroll dependents in the Company name salary continuation plan.
2. Funding for the program is through the: (Ex: regular payroll process) _____.
3. Eligibility under this program commences on the _____ day after the first day of employment provided the employee is actively at work.
4. Benefits, under this program, may be received for a total of up to 90 days. Eligible employees may receive up to _____% of salary with up to a \$_____ weekly maximum benefit. This benefit will be offset by any State Disability Benefit received or eligible to receive. Reimbursement for income loss due to partial work days is included under this policy.
5. The employee will be required to complete and submit all necessary forms before they can receive a determination on eligibility for Salary Continuation benefits under this program.
6. Before Salary Continuation benefits can be applied for, an employee must use _____ () days of Basic Leave from their Consolidated Leave bank. If sufficient basic leave is not available, the time must be taken without pay. Benefits, once approved, begin on the _____ () working day after a qualifying event as defined by the LTD insurance contract. For Day _____ – Day 90, employees will be reimbursed at _____% of their lost salary. This is paid by Company name through normal payroll procedures. After ninety (90) consecutive days on disability, 60% of the monthly salary may be paid directly by the fully-insured LTD insurance Plan. Retirement Savings Plan contributions will only be made on Company name payments.
7. If a holiday occurs while an individual is on salary continuation, the individual is paid for the holiday at the same rate currently being paid for salary continuation.

COMPANY NAME
PERSONNEL ADMINISTRATION
POLICIES AND PROCEDURES

(Salary Continuation Policy - continued)

B. Maintenance of Policy:

1. The Elder Board evaluates, procures and ensures the maintenance of this salary continuation policy for Company name employees.
2. The Human Resources Manager schedules orientations; obtains and distributes the carrier's coverage description books, claim forms and other materials to employees; and completes other duties related to plan administration.

C. Current Carrier:

Effective _____, the carrier for the Company Name Fully Insured LTD policy is UNUM.

D. Carrier's Policies:

Each employee receives a plan certificate book describing the provisions for the LTD coverage, as well as the limitations of the plan. For complete details regarding the fully insured long-term disability insurance, consult your long-term disability summary plan description document.

E. Termination:

Coverage under the Company name Salary Continuation Plan and Fully Insured Long Term Disability plans normally terminate on the last date of active employment with company name. If, however, the employee is receiving disability benefits at the time of termination, benefits continue in accordance with the plan contract, and federal and state laws.

APPROVED:

DATE:

Title of Officer

Printed Name of Person Signing this document

Employee Letter (Sample)

DATE

Name
Address
City, State, ZIP

Dear _____ :

This letter provides notice of the disability salary continuation plan in effect for ORGANIZATION NAME.

The Plan is effective DATE.

Under this Plan, ORGANIZATION NAME will continue to pay your ###% of your salary for ## weeks if you become disabled due to sickness or accident, as defined by the policies issued under the Plan.

I may require medical documentation from a licensed practitioner to substantiate the illness or injury. Disabilities lasting longer than ## weeks will not be covered through continued salary. After ## weeks, ORGANIZATION NAME will not continue salary payments for the duration of your disability. After ## days of total disability, as determined by _____, policy # _____, disability benefits will be paid in accordance with the policy terms. Benefits are defined in the policy and are subject to any policy exclusions. To the extent the insured portion of this Plan is an employee benefit plan under ERISA, your policy will serve as the summary plan description.

Premiums for this disability policy will be paid by ORGANIZATION NAME until further notice. If you terminate your employment with ORGANIZATION NAME, you may continue coverage by paying the premiums directly.

We are pleased to offer this Salary Continuation Plan to you.

Employer

Date

Received : _____

Employee

Date

This is a sample document only. The legal and tax consequences of any business resolution should be reviewed by the client's legal and tax counsel.

Salary Continuation Plan Resolution (Sample)

I, the undersigned secretary of _____, certify the following:

A special meeting of the Board of Directors of _____ was held at the organization's offices on **DATE**, **YEAR**, at **TIME** o'clock, to consider a proposal to adopt a Salary Continuation Plan for listed employees.

_____ presided as Chairperson, and _____ served as Secretary.

The Chairperson called the meeting to order, and the Secretary recorded the minutes. A waiver of notice of the meeting, duly executed, and dated **DATE**, **YEAR**, was presented. A quorum of directors was present.

The Chairperson stated the purpose of the meeting was to authorize and direct the steps necessary to implement a Salary Continuation Plan for certain employees. After discussion, and upon a motion duly made and seconded, the following resolution was adopted by unanimous vote:

1. RESOLVED, that the organization adopt a Salary Continuation Plan providing the following benefits to the eligible employees listed below:
 - a. Group I Employees:
 - i. [list employee names]
 - ii. For Group I Employees, the organization will pay 100% of salary for the first ## weeks/months of total disability, 75% of salary for the next ## weeks/months of continuing total disability, and 50% of salary for the next ## weeks/months of continuing total disability.
 - b. Group II Employees:
 - i. [list employee names]
 - ii. For Group II Employees, the organization will pay 100% of salary for the first ## weeks/months of total disability and 50% of salary for the next ## weeks/months of continuing total disability.
 - c. Group III Employees:
 - i. [list employee names]
 - ii. For Group III Employees, the organization will pay 100% of salary for the first ## weeks/months of total disability and ## % of salary for the next ## weeks/months of continuing total disability.

Secretary Signature

Date

As of this date, I have read and understand the plan above and the benefits provided to me:

Employee Signature

Date