

SHENANDOAH PRESBYTERY SALARY POLICY

Approved February 11, 2017

The purpose of this salary policy is to assist Pastor Nominating Committees (PNC) in negotiating the Covenant Agreement/Terms of Call between a pastor nominee and the PNC, and completing the Pastoral Call Form. Resources used to prepare this policy includes the *Book of Order, Understanding Effective Salary* (published by Board of Pensions), IRS regulations, and policies established by the Shenandoah Presbytery.

Terms of Call are prepared as a part of the pastoral calling agreement with a new pastor and as part of an annual review of the terms of call. A PNC negotiates the Terms of Call with a pastor nominee. Once terms are mutually agreed upon, the pastoral call form is completed, submitted to the Committee on Pastoral Transition (CPT) for review, and becomes a part of the examination of the pastor by the exam committee.

All terms of call between churches and pastors or associate pastors in the Shenandoah Presbytery shall include the requirement that the financial terms of call be reviewed annually by the congregation. *“The session shall review annually the minister's terms of call...”* (*Book of Order, G-2.0804*). The terms of call includes compensation paid to the pastor, reimbursable expenses and allowances necessary to carry out the responsibilities of the position, required benefits, as well as vacation and/or other leave. The guidelines will describe each of these categories.

Personal Compensation

The *Book of Order* provides for the presbytery to have the authority to, *“establish minimum compensation standards for pastoral calls”* (G-3.0303c). The Shenandoah Presbytery's established minimum **cash** salary is **\$33,000**.

Presbytery recommends that the following factors be considered in determining equitable compensation above the minimum:

- Education
- Experience
- Size of congregation served
- Any special needs and exceptional expenses
- Cost of living in the area

The term “cash salary” describes the cash amount of compensation paid to the teaching elder annually, *excluding* a housing allowance. “Effective salary”, as defined by the Board of Pensions, is “any compensation received during a Plan Year, *including*, but not limited to, any sums paid as a housing (including utilities and furnishings) allowance”. Please refer to the guide *Understanding Effective Salary* published by the Board of Pensions for more definitive information.

There are two allowances related to housing which are included as part of effective salary:

- *Use of a manse*: When a manse is provided, a utilities and furnishings and appurtenances allowance (to the extent these are paid for by the teaching elder). IRS regulations should be consulted but, generally speaking, any household expense is considered furnishings and appurtenances with the exceptions of food and maid service. This is part of Board of Pensions total effective salary and part of the teaching elder's compensation package
- *Provision for personally-owned housing*: The housing allowance includes either the lesser of the actual cost to maintain a home, including mortgage payments, utilities, and furnishings, and appurtenances, or fair rental value for personally owned housing plus utilities, furnishings, and appurtenances.

As defined by the IRS, a “housing allowance” includes: Rental value of both the house and its furnishings, utilities, annual purchases of furnishing, taxes, interest, etc., virtually every household

expense except food and maid service. This regulation applies whether or not a manse is provided. The Pastoral Call Worksheet provides very definitive guidance in determining how the Board of Pensions defines housing allowance to be included in total effective salary. The IRS and Board of Pensions differ in their description of housing allowance. (*Refer to IRS publication 517 for income tax requirements related to housing allowance.*)

Other compensation

- Additional SECA (above the 50% required) (*optional*)
- Deferred income: Deferred income shall include an Equity Fund when a teaching elder is required to live in a manse. The Board of Pensions defines an equity allowance as "sums paid or contributed by an employing organization to a deferred compensation plan or other account on behalf of a member residing in a manse to compensate for equity which the member forgoes by not owning his or her own residence." It is a policy of Shenandoah Presbytery that a minimum contribution of \$100.00 a month invested in an Equity Fund shall be included in terms of call when a pastor is required to live in a manse. An amount at least equal to the minimum shall be paid on a monthly or quarterly basis by the church treasurer to an account selected by the teaching elder, subject to approval by CPT or CRM, as appropriate. The purpose of an equity fund is to enable a pastor who lives in a church provided manse to build equity for future personally owned housing.

Other compensation which would be included as a part of deferred income may be annuities, retirement savings accounts, and other annual contributions. Contributions qualifying as deferred income and made by the church on behalf of the teaching elder are part of effective salary under Board of Pensions.

Equity fund policy

A housing equity fund is a form of deferred compensation. The equity fund may be invested by the teaching elder as he or she desires. The management and control of the fund resides with the teaching elder. Presbytery shall *not* be involved in the administration of any equity fund. It shall be the sole responsibility of the teaching elder to select the investment vehicle, which may be changed by him or her only at the beginning of each church fiscal year. The fund would accumulate according to a specified agreement between the congregation and teaching elder. Income produced by the Equity Fund, whether in cash, dividends or stock, shall be reinvested in that account. At all times the account is fully vested in the teaching elder. When termination of service is due to death of the teaching elder, the equity fund shall be vested in the surviving spouse or family. No income taxes are assessed until the funds are withdrawn from the account. At that time the IRS taxes these funds as "ordinary income". It is strongly recommended that this fund be created in consultation with a qualified tax attorney or certified financial advisor to assure that this agreement conforms to the IRS requirements. The sole function of the CPT shall be to assure that the account is a suitable one to fulfill its purpose as an equity escrow vehicle. When a newly installed pastor is in place, that responsibility is transferred to the CRM.

Reimbursable Expenses and Allowances

Presbytery requires the inclusion of the following in the pastoral call form:

- When the teaching elder owns and maintains an automobile for the performance of professional duties, the church shall provide as a *minimum allowance* an amount equal to that permitted by IRS. Record keeping on mileage is the joint responsibility of the teaching elder and congregation.
- Minimum of \$500.00 per year for business and professional books, and subscriptions. These funds may be accumulated over a period up to three (3) years with approval of session.
- Continuing education allowance to provide reimbursement to the teaching elder for costs related to professional seminars, classes, etc. Teaching elders shall be granted two weeks' continuing education annually, with the provision that the teaching elder, after consultation with and approval by the session, may accumulate this leave for up to six weeks. Continuing education provides an opportunity for renewal and growth spiritually and professionally for the teaching elder.

Moving expenses for a teaching elder's household and professional items to the field of a new call is the responsibility of the congregation.

Required Benefits

Terms of call “shall include participation in the benefits plan of the Presbyterian Church (U.S.A.), including both pension and medical coverage, or any successor plan approved by the General Assembly.” (Book of Order G-2.0804)

The PC(USA) requires:

- All terms of call include the provision of Major Medical and Group Life Insurance for every full-time teaching elder as available through the Board of Pensions. (*Congregations are strongly encouraged to include the family component in the medical coverage provided through the Board of Pensions.*)
- Congregations assume cost of participation of the teaching elder in the pension and disability program through the Board of Pensions.

The Board of Pensions has an established effective salary basis on which all computations for benefits shall be based when the effective salary is below that amount.

Churches shall reimburse teaching elders for 50% of their total SECA liability. Teaching Elders are considered self-employed for social security tax purposes and come under the Self-Employment Contributions Act (SECA). This reimbursement is not part of Board of Pensions total effective salary. When a church wishes to provide an additional amount over the 50% of SECA liability, that amount is included in Board of Pensions total effective salary and is part of the teaching elder's compensation package.

Vacation, Leave & Other

It is important for the teaching elder, session, and the congregation to recognize and respect the need for the teaching elder to have time away from the responsibilities of pastoral service. Family vacations and continuing education opportunities give time for renewal of body, mind, and spirit, as well as reflection and relaxation. Terms of call shall include:

- Four weeks annual paid vacation, including four Sundays
- Two weeks annual study leave with pay, including two Sundays. Funds and leave time may be accumulated up to and including three years with agreement of the session.
- Inclusion of opportunity for sabbatical leave at the end of 6 years of service. An amount shall be budgeted annually to enable the session to offset expenses required to provide alternative leadership during the period of the sabbatical.

Shenandoah Presbytery encourages all teaching elders to schedule one day each week as a day off. Sessions and congregations are strongly encouraged to assist the teaching elder in observing this set aside time on a regular basis.

Total Disability or Death

The policy of Shenandoah Presbytery in the case of total disability or death of a teaching elder while serving as an installed pastor stipulates that the congregation continue the salary for a period of three months, and either occupation of the manse or other suitable housing rent free for a period of six months, or a continuation of the housing allowance for six months for personally owned housing.

Distribution of Pastoral Call Form

- Copy of form completed by PNC, and agreed to by teaching elder, submitted to CPT prior to Exam (No information on terms of call are shared with session at this stage unless the negotiated effective salary is over and above the maximum effective salary listed on the MIF.)
- After exam and approval by CPT, the terms of call are shared with the congregation and session at the congregational meeting called to present information on the candidate, and to vote to approve the PNC recommendation.

- Following the congregational meeting, the pastoral call form is signed by the moderator of the congregational meeting, as shown on the form, and the original submitted to CPT; a copy becomes a part of the official minutes of the meeting; and a copy may be sent to the candidate.