

PRESBYTERY OF SUSQUEHANNA VALLEY
PASTOR COMPENSATION 2019
Report to the Presbytery November 17, 2018

To: Sessions of the Churches of the Presbytery of Susquehanna Valley
 From: Presbytery's Committee on Ministry
 Re: Information to Assist Your Annual Review of Pastor Compensation

1. ANNUAL REVIEW OF PASTOR'S COMPENSATION

The Session has the responsibility to review annually the minister's terms of call and shall propose for congregational action (G-1/0501) such changes as the Session deems appropriate, provided they meet the Presbytery's minimum requirements. (Book of Order G-2.0804).

2. COMPENSATION OF PASTOR

At its meeting on November 19, 2016 the Presbytery voted to try to equalize "Terms of Call" between those with housing allowance and those providing a manse over 5 years, approving minimums through 2020. The approved annual increases were based on 1.5% cost of living adjustment, and 4.2% cash increases to those with a manse. PCUSA 2019 church-wide median salary is \$59,000.

3. MINIMUM TERMS OF CALL for 2019

Churches with a manse:

- a. **Cash salary: \$37,068**
- b. Full payment of utilities
- c. Full use of the manse
- d. Full Board of Pension medical dues (25%), pension (11%) and death benefit (1%) of Total Effective Salary
- e. Social Security Offset 7.65% (the part an employer normally pays)
- f. Professional expenses including travel at IRS rate.
- g. Two weeks study leave (including 2 Sundays) plus study leave allowance of \$1,000.
- h. Four weeks vacation (including 4 Sundays)

Churches with a housing allowance:

- a. **Cash salary: \$49,392 (salary and housing allowance)**
- b. Full Board of Pension dues (37% of Total Effective Salary, member only medical coverage)
- c. Social Security Offset 7.65% (the part an employer normally pays)
- d. Professional expenses including travel at IRS rate.
- e. Two weeks study leave (including 2 Sundays) plus study leave allowance of \$1,000.
- f. Four weeks vacation (including 4 Sundays)

The Federal Labor Standards Act defines an "exempt" employee as one who is exempt from the requirement to receive overtime pay. All ministers of the Word and Sacrament by the Federal Labor Standards Act are "exempt" employees, *where 48 hours per week are full-time and anything less is part-time.*

4. ADDITIONAL RECOMMENDATIONS FROM COM & THE PRESBYTERY

- a. For ministers already serving, churches consider raising their effective salaries by 2.3% (the suggested cost of living increase for use in salary reviews).
- b. Merit increases should be awarded to ministers on the basis of outstanding or sacrificial service, and/or educational achievement and increased competency.
- c. Medical supplement provided to meet BOP deductible (1 or 1.5% of effective salary).
- d. 10 Holidays agreed upon (eg July 4th or Thanksgiving would not count as "vacation" days)
- e. After 5 years continuous service, additional vacation time.
- f. After 6 consecutive years of service to the same church(es), a paid Sabbatical leave of 3 months.

5. EXPLANATIONS

- A. Cost of Living Adjustment: 2.3% was the change in the Consumer Price Index published in June 2018. The median salary for PCUSA ministers of word and sacrament increased from \$58,000 to \$59,000 for 2019.

Pastoral compensation should keep pace with inflation, and remain competitive to attract and retain professional clergy.

- B. Merit increases should be awarded to pastors on the basis of outstanding or sacrificial service, and/or increased competency as a result of experience or educational achievement.
- C. "Social Security Offset" of 7.65% must be a separate budget line within the compensation category. Social Security Offset amount that exceeds 7.65% (more than 50% of the pastor's Self-Employment Contribution Act) must be included in figuring Total Effective Salary. Pastor and church may negotiate whether required 7.65% for Social Security is included when calculating Total Effective Salary, or excluded ("below the line").
- D. Churches that provide manses are encouraged to designate a portion of cash compensation as "furnishings and appurtenances allowance" to enable pastors to take advantage of tax codes. (Any expenses related to pastoral housing may be excluded from income for federal and state income tax purposes.) Such furnishings and appurtenance allowances have to be included in calculating the cash salary minimum and effective salary.
- E. Churches paying a housing allowance must record in their Session Minutes the annual amount of cash salary compensation and of housing allowance. (The IRS only recognizes such official designation of allocations for housing.)
- F. Manse Value = 2 types. The IRS requires that the "fair market rental value" of the manse be recorded in the Session minutes, which is the official value used for tax purposes. The Board of Pensions determines dues by calculating manse value as 30% of cash salary, plus deferred compensation, and any other payments received as allowances (not counting any reimbursements). Social Security Offset may be excluded in determining Manse Value.
- G. Churches should follow sound financial practices for reimbursable expenses, only paying according to a signed voucher verifying professional expenses (mileage, pastoral supplies, books, etc.). Written documentation is an IRS expectation.
- H. Continuing Education/Study leave. Newly ordained ministers of word and sacrament are required to participate in the "Early Ministry Institute" provided by the Synod of the Northeast for 3 years (one of their two annual weeks of Study Leave). Study Leave may be accrued up to 3 years with prior agreement between the minister and the church (for example, to take a 6 week course at a seminary). The 2 Sundays taken off annually in association with Study Leave are normally contiguous to time away, unless the minister and the church have negotiated differently.

4. AID TO CHURCHES

The Presbytery requires that all churches pay their ordained pastor at least the minimum salary in 2019. Any church unable to fulfill this must have the Session request in writing an exemption with the Committee on Ministry documenting the financial situation and plans for mission and ministry by the congregation.

5. PCUSA BOARD OF PENSION DUES

All ordained ministers of word and sacrament are required to be covered by the Presbyterian Board of Pensions. The BOP plan and benefits have 3 parts: Medical Plan coverage (comprehensive major medical insurance = 25% for 2019 for member only), pension benefits (11%), and death and disability benefits (1%). Annual dues will be 37% of Total Effective Salary for 2019.

"Total Effective Salary" according to Board of Pensions:

Included: Cash salary; any additional or deferred compensation (e.g. life insurance, bonuses), utilities or furnishings if paid to pastor as an "allowance", and Manse Value (30% of preceding items) **OR** the actual amount paid as "Housing Allowance". Allowances (such as medical deductible allowance) paid to the pastor are part of compensation; reimbursed expenses are not. Payments made directly by church for manse upkeep, utilities, furnishings etc. are not part of pastoral compensation. Social Security Offset may be included in calculating Total Effective Salary, or left "down below the line".

Not Included: Reimbursements for professional expenses such as mileage, books, subscriptions, pastoral supplies, and study leave through an accountable voucher plan, and utilities, manse repairs, furnishings, yardwork paid directly by the church.

PRESBYTERY OF SUSQUEHANNA VALLEY
2019 MINIMUM COMPENSATION STANDARDS
 APPLIED TO PART-TIME MINISTRY*
 (*for ordained ministers who are members of Presbytery)

FOR CHURCHES PROVIDING MANSES

	Effective Salary	Cash Salary	Manse & Utilities	7.65% SS Offset	37% Pension	Total	Travel
Full Time (100%) (5 ½ days/week ó 48 hrs)	48,188	37,068	11,120	3,686	17,830	69,704	IRS Rate
¾ Time (75%) (4 ½ days/week- 36 hrs)	38,921	27,801	11,120	2,977	15,671*	58,569	IRS Rate
2/3 Time (66.6%) (4 days/week ó 32 hrs)	35,807	24,687	11,120	2,739	15,297*	53,843	IRS Rate
½ Time (50%) (3 days/week ó 24 hrs)	29,654	18,534	11,120	2,269	14,558*	46,481	IRS Rate
1/3 Time (33.3%) (2 days/week ó 16 hrs)	23,464	12,344	11,120	1,795	**	25,259**	IRS Rate
1/4 Time (25%) (1 ½ days ó 12 hrs)	20,387	9,267	11,120	1,560	**	21,947**	IRS Rate

*Medical portion (25%) is figured on the Minimum Participation Basis of \$44,000 since the pastor's Total Effective Salary is lower than the MPB. Pension Dues = .25 x 44,000 = 11,000 + .12 x Total Effective Salary.

** Pastors employed less than 20 hours per week are not eligible to participate in the Board of Pensions benefits plan. In that situation it is recommended that churches explore Limited Participation dues with the Board of Pensions for Medical and Death & Disability benefits.

Calculation for Total Effective Salary for BOP doesn't count Social Security Offset.

1. Full time averages 48 hours per week. Part-time Cash Salary = % time X \$37,068.

2. Manse Value & Utilities, \$11,120, is a constant when a manse is provided.

3. SS Offset = .0765 (Cash Salary + Manse Rental Value)

4. Four weeks vacation (28 days including 4 Sundays) and two weeks study leave (14 days including two Sundays) are required. (For a half-time minister, 4 weeks of vacation @ half-time pay, not reducing 4 weeks to 2 weeks off.)

5. Presbytery requires a Study Leave allowance of at least \$1000 for full-time, which may be pro-rated. Half-time would be \$500 annually.

PRESBYTERY OF SUSQUEHANNA VALLEY
2019 MINIMUM COMPENSATION STANDARDS
 APPLIED TO PART-TIME MINISTRY*
 (*for ordained ministers who are members of Presbytery)

FOR CHURCHES PROVIDING HOUSING ALLOWANCES

	Salary & Housing	7.65% SS Offset	37% @ Pension	Total	Travel
Full Time (100%) (5-1/2 days/weeks ó 48 hrs)	49,392	3,778	18,275	71,445	IRS Rate
¾ Time (75%) (4 ½ days/weeks ó 36 hrs)	37,044	2,834	15,445*	55,313	IRS Rate
2/3 Time (66.6%) (4 days/week ó 32 hrs)	32,895	2,516	14,947*	50,358	IRS Rate
½ Time (50%) (3 days/weeks) ó 24 hrs)	24,696	1,889	13,964*	40,549	IRS Rate
1/3 Time (33.3%) (2 days/week ó 16 hours)	16,448	1,258	**	17,706**	IRS Rate
¼ Time (25%) (1 ½ days/week ó 12 hours)	12,348	945	**	13,293**	IRS Rate

* Medical portion (25%) is figured on the Minimum Participation Basis of \$44,000 since the pastor's effective salary is lower than the MPB. Pension dues = .25 x 44,000 = 11,000 + .12 x Effective Salary.

** Pastors employed less than 20 hours per week are not eligible to participate in the Board of Pensions benefits plan. In that situation it is recommended that churches explore Limited Participation with the Board of Pensions for Medical and Death & Disability benefits.

Calculation for Total Effective Salary for BOP doesn't count Social Security Offset.

1. Full time averages 48 hours per week. Part-time Salary & Housing = % time X \$49,392.

2. SS Offset = .0765 Cash Salary + Housing Allowance

3. Four weeks vacation (28 days including 4 Sundays) and two weeks study leave (14 days including two Sundays) are required. (For a half-time minister, 4 weeks of vacation @ half-time pay, not reducing 4 weeks to 2 weeks off.)

4. Presbytery requires a Study Leave allowance of at least \$1000 for full-time, which may be pro-rated. Half-time would be \$500 annually.