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**The Presbytery of Susquehanna Valley
Committee on Ministry
Report to the Presbytery**

PASTOR COMPENSATION 2009

September 2, 2008 (updated 15Oct08)

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 for 2009

1. ANNUAL REVIEW OF PASTOR'S COMPENSATION

The Session has the responsibility "to provide for the administration of the program of the church, including employment of non-ordained staff, with concern for equal employment opportunity and the annual review of the adequacy of compensation for all staff." (*Book of Order G-10.0102n*).

2. COMPENSATION OF PASTOR

At its meeting on September 23, 2008:

A. Presbytery approved the following minimum terms for all full-time calls:

1. Churches with a manse:

- a. **Cash salary: \$29,789**
- b. Full payment of utilities
- c. Full use of the manse
- d. Full pension and medical dues (31.5% of effective salary)
- e. Social Security Offset 7.65%
- f. Professional expenses including travel at IRS rate.
- g. **Two weeks study leave and study leave allowance of \$1,000.**
- h. Four weeks vacation (4 Sundays)

2. Churches with a housing allowance:

- * a. **Cash salary: \$42,554 (salary and housing allowance)**
- b. Full pension and medical dues (31.5% of effective salary)
- c. Social Security Offset 7.65%
- d. Professional expenses including travel at IRS rate.
- ** e. **Two weeks study leave and study leave allowance of \$1,000.**
- f. Four weeks vacation (4 Sundays)

* Minimum is 84% of church-wide median salary of \$50,800.

** If a pastor plans to accumulate study leave, these plans should be shared with the session in advance.

- B. Presbytery will be asked to recommend that, regarding the compensation for pastors and associates already in service, churches consider raising their effective salaries 3.7%. This is the suggested cost of living increase for use in salary reviews. (See below for explanation). Additional merit increases for experience, outstanding service, and/or educational achievement should be considered. Churches are required to pay 7.65% of the pastor's effective salary as an offset to the Social Security taxes paid by pastors.

- C. COM recommends, but does not require the following:
1. Medical supplement fund to meet BoP deductible:
 - 1% of effective salary for single pastors, 3% for pastors with dependents.
 2. Vacation in excess of required amounts after 5 years continuous service.
 3. 10 Holidays
 4. Sabbatical leave of 3 months after 6 years consecutive service in the same church(es).

3. EXPLANATIONS

- A. Cost of Living Adjustment: 3.9% is the change in the Consumer Price Index from April 2007 through April 2008. 3.7% is the change in the church-wide median salary from 2007. This range allows churches to maintain their pastors' purchasing power against the effects of inflation, and to remain competitive in attracting and retaining pastoral services. This range represents the minimum increases currently serving pastors should receive for 2009. Additionally, merit increases should be awarded.
- 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. We require that "Social Security Offset" be a separate budget line within the compensation category. **Please note: Social Security payments by the church to a pastor may be included or excluded when calculating Effective Salary as negotiated by pastor and church. Social Security Offset amounts exceeding 50% of the pastor's Self-Employment Contribution Act obligation must be included in figuring Effective Salary.**
- D. Churches that provide manses are encouraged to designate a portion of cash salary as "furnishings and appurtenances allowance" to enable pastors to take advantage of tax codes which allow any expenses related to pastor's housing to be excluded from income for federal and state income tax purposes. Such furnishings and appurtenance allowances are 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 amount of annual cash salary compensation and the corresponding annual amount of housing allowance. The IRS has held that, should a pastor's taxes be audited, this is the only official designation of such allocations that the IRS will recognize.
- F. Manse Value. The IRS requires that the "fair market rental value" of the manse be recorded in the Session minutes. This is the official value used for tax purposes. The Board of Pensions determines manse value as 30% of cash salary, deferred compensation, and any other payments received as allowances and not reimbursement. To simplify "effective salary" calculations, Social Security Offset may be excluded in determining Manse Value.**
- G. Churches are urged to use a voucher system to reimburse professional expenses (mileage, books, etc.) to simplify expense records and for IRS considerations.

H. To clarify what is included and not included in “Effective Salary” for Board of Pension purposes:

Included: Cash salary; deferred compensation; if a manse is provided, utilities allowance paid to the pastor, and a Manse Value (cash salary + deferred compensation) multiplied by 30%; **Or**, if a housing allowance is provided, the actual amount paid as “Housing Allowance”; allowances paid to the pastor for manse furnishings, car use, books/subscriptions and study leave. Social Security Offset may be included in calculating Effective Salary. **Other compensation such as medical deductible allowance/reimbursement, life insurance, and bonuses are to be included in Effective Salary.**

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

I. Study leave Sundays normally will be contiguous to study leave times. However, if this is not the case, the pastor shall be assured of these two study leave Sundays, and will negotiate with the church, prior to periods of study leave, the most appropriate dates for these Sundays.

4. AID TO CHURCHES

The Presbytery requires that all churches will pay their pastor at least the minimum salary in 2009. If any church feels it is unable to do this, please request an exemption with the Committee on Ministry. (Letter from Session to Committee on Ministry c/o Presbytery address) The Committee will consult with you about your financial situation of real, documented need. The Committee is ready to work with you in the area of compensation.

5. PENSION AND MEDICAL BENEFITS PLAN

The Pension and Medical Benefits Plan includes retirement benefits, comprehensive major medical insurance and death and disability benefits. Annual dues will be 31.5% of Effective Salary for 2009. Pension dues are calculated as follows (assumes reimbursements used and S.S. Offset included):

	Example: With a manse		Example: With a housing allowance	
	2008	2009	2008	2009
Cash Salary	28,726	29,789	Cash Salary	41,036
			+ Housing Allowance	42,554
30% Manse Value	8,618	8,937		
S.S. Offset	2,857	2,963	S.S. Offset	3,139
Effective Salary	40,201	41,689	Effective Salary	44,175
31.5% Pension Dues	12,663	13,132	31.5% Pension Dues	13,915
				14,430

Note: If deferred compensation also is “paid”: (1) with a manse, include deferred compensation with cash salary to calculate Manse Value, then calculate Effective Salary on the entire amount including S.S. Offset (if SS is included); (2) with a housing allowance, include deferred compensation with cash salary + housing allowance, then calculate Effective Salary on the entire amount including S.S. Offset if it is included.

Please contact the Presbytery Office if you need additional information or you have any questions. (607) 967-8012 or (800) 511-0086. Fax # (607) 967-8018. E-Mail: pmc@susvalpresby.org

PRESBYTERY OF SUSQUEHANNA VALLEY
**2009 MINIMUM COMPENSATION STANDARDS
 APPLIED TO PART-TIME MINISTRY***

(*for ordained ministers who are members of Presbytery)

FOR CHURCHES PROVIDING MANSES

	<u>Cash Salary</u>	<u>Manse & Utilities</u>	<u>7.65% SS Offset</u>	<u>31.5% @ Pension</u>	<u>Total</u>	<u>Travel</u>
Full Time (100%) (5-1/2 days/week – 48 hours)	29,789	8,937	2,963	13,132	54,821	IRS Rate
¾ Time (75%) (4 ½ days/week- 36 hours)	22,342	8,937	2,393	10,607	44,279	IRS Rate
2/3 Time (66.6%) (4 days/week – 32 hours)	19,839	8,937	2,201	10,156*	41,133	IRS Rate
½ Time (50%) (3 days/week – 24 hours)	14,895	8,937	1,823	9,518 *	35,173	IRS Rate
1/3 Time (33.3%) (2 days/week – 16 hours)	9,830	8,937	1,436	8,363 *	29,066	IRS Rate
1/4 Time (25%) (1-1/2 Days – 12 hours)	7,447	8,937	1,253	8,555 *	26,192	IRS Rate

*Medical portion (19.5%) is figured on the Minimum Participation Basis of \$33,020 since the pastor's effective salary is lower than the MPB. (Churchwide Median for Effective Salary of \$50,800 X MPB of 65%. .195 x 33,020 = 6,439).

@ Calculation includes Social Security Offset

1. These figures are calculated for churches offering a manse as a portion of compensation. Increases over 2008 minimums reflect a 3.7% Cost of Living Allowance.
2. Four weeks vacation (28 days including 4 Sundays) and two weeks study leave (14 days including two Sundays) pro-rated are required.
3. Presbytery requires, a study leave allowance of at least \$1000 for full-time.
4. Full-time approximates 48 hours per week.
5. Part-time Cash Salary = % Time x 29,789.
6. Note that Manse Value & Utilities, \$8,937, is a constant when a manse is provided.
7. SS Offset = .0765 (Cash Salary + Manse Rental Value)

PRESBYTERY OF SUSQUEHANNA VALLEY
2009 MINIMUM COMPENSATION STANDARDS
APPLIED TO PART-TIME MINISTRY*

(*for ordained ministers who are members of Presbytery)

FOR CHURCHES PROVIDING HOUSING ALLOWANCES

	<u>Salary & Housing</u>	<u>7.65% SS Offset</u>	<u>31.5% @ Pension</u>	<u>Total</u>	<u>Travel</u>
Full Time (100%) (5-1/2 days/weeks – 48 hours)	42,554	3,255	14,430	60,239	IRS Rate
¾ Time (75%) (4 ½ days/weeks – 36 hours)	31,916	2,442	10,823	45,181	IRS Rate
2/3 Time (66.6%) (4 days/week – 32 hours)	28,341	2,168	10,100*	40,609	IRS Rate
½ Time (50%) (3 days/weeks) – 24 hours)	21,277	1,628	9,188 *	32,093	IRS Rate
1/3 Time (33.3%) (2 days/week – 16 hours)	14,170	1,084	8,269 *	23,523	IRS Rate
¼ Time (25%) (1 ½ days/week – 12 hours)	10,639	814	7,813 *	19,266	IRS Rate

*Medical portion (19.5%) is figured on the Minimum Participation Basis of \$33,020 since the pastor's effective salary is lower than the MPB. (Churchwide Median for Effective Salary of \$40,800 X MPB of 65%. .195 x 33,020 =6,439)

@ Calculation includes Social Security Offset.

1. These figures are calculated for churches offering a housing allowance as a portion of compensation.
2. Four weeks vacation (28 days including 4 Sundays) and two weeks study leave (14 days including 2 Sundays) pro-rated are required.
3. Presbytery requires, a study leave allowance of at least \$1000 for full time.
4. Full time approximates 48 hours per week.

ANNUAL CLERGY COMPENSATION WORKSHEET
Clergy with Manse

Name _____ Date _____

Church _____ Position _____

	2008	2009	
1.	_____	_____	Annual cash salary
2.	_____	_____	Deferred compensation
3.	_____	_____	Medical deductible
4.	_____	_____	Other compensation (describe) _____
5.	_____	_____	Bonuses, gifts, lump sum unvouchered allowances
6.	_____	_____	Social Security offset [7.65% of (add lines 1-5 and 7)] Record here OR line 13

Housing

For Board of Pensions

For IRS

7. a.	_____	_____	Manse Value (30% of lines 1-5 plus 7b, 7c)	7. a. *	_____	Fair Rental
b.	_____	_____	Utility Allowance (if paid to pastor)	7. b. *	_____	Utilities
c.	_____	_____	Furnishings Allowance	7. c. *	_____	
7.	_____	_____	Total Housing (a-c)	7.	_____	
8.	_____	_____	Effective Salary (lines 1 - 7)			
9.	_____	_____	Board of Pension dues (31.5% of line 8)			

Reimbursed Expenses

- 10. _____ Continuing Education and books
- 11. _____ Professional expenses and [Mileage (at IRS rate)]
- 12. _____ Other (describe)_____
- 13. _____ Social Security offset (7.65% of lines 1-5 plus 7)

Record here OR line 6

- 14. _____ **Total cost to church budget (Lines 8-13 minus 7a)**
- 15. Study Leave (minimum 2 weeks, including 2 Sundays)
- 16. Vacation (minimum four weeks, including 4 Sundays)

ANNUAL CLERGY COMPENSATION WORKSHEET
Clergy with Housing Allowance

Name _____ Date _____

Church _____ Position _____

	2008	2009	
1.	_____	_____	Annual cash salary
2.	_____	_____	Deferred compensation
3.	_____	_____	Medical deductible
4.	_____	_____	Other compensation (describe) _____
5.	_____	_____	Bonuses, gifts, lump sum unvouchered allowances
6.	_____	_____	Social Security offset [7.65% of (add lines 1-5 and 7)] Record here OR line 13

Housing

7 a.	_____	_____	Utility Allowance Paid to Pastor
b.	_____	_____	Housing Allowance
7.	_____	_____	Total Housing (a-c)
8.	_____	_____	Effective Salary (Add lines 1 - 7)
9.	_____	_____	Board of Pension dues (31.5% of line 8)

Reimbursed Expenses

- 10. _____ Continuing Education and books
- 11. _____ Professional expenses and [Mileage (at IRS rate)]
- 12. _____ Other (describe)_____
- 13. _____ Social Security offset (7.65% of lines 1-5 plus 7)

Record here OR line 6

14. _____ **Total cost to church budget (Lines 8-13)**

- 15. Study Leave (minimum 2 weeks, including 2 Sundays)
- 16. Vacation (minimum four weeks, including 4 Sundays)