

# 2018 COMPENSATION POLICY

## PRESBYTERY OF WEST JERSEY

### 2018 Base effective salary \$50,995 – 1%

**Policy Summary**

Every church of the Presbyterian Church (USA) is obligated to review annually with its pastor(s) the adequacy of his/her/their compensation (Book of Order G-2.0804). Additionally, by the action of the General Assembly, each Presbytery may set minimal salary requirements and has the power to enforce such standards. It is the policy of the Presbytery of West Jersey that its member churches shall provide equitable compensation of pastors and shall meet or exceed the minimum amounts specified for certain of the terms included in the compensation package. It is the responsibility of the Committee on Ministry to propose these minima to the Presbytery for approval. Also, the Committee on Ministry conducts a salary review early in each calendar year to determine the compliance of the compensation with the minima. In situations where the Presbytery minima are not met, full approval of the compensation package is withheld until the situation is corrected.

This policy defines minimum compensation for full-time positions. Part-time minimum compensation is adjusted by the percentage of full-time worked. Full-time is defined as 48 hours per week.

**Minimum Compensation Requirements:**

The following table summarizes the minimum requirement for annual pastor compensation, Mandatory adjustments apply to these figures.

Part Time Adjustment (PTA) indicates the percentage of the full-time figure (part time hours/48).

	<b>Full Time (48 hrs/week)</b>	<b>Part Time</b>
Effective salary	\$50,995	FT * PTA
Vouchered expense account	\$3,000	FT * PTA
Continuing education	2 weeks	2 weeks
Continuing education expenses	\$750	\$750
Pension and Medical Dues	Full	Full

Details are provided below. It is recommended that congregations use the Pastor or Associate Pastor Compensation Spreadsheets to determine the exact minimum requirements. These spreadsheets are available on the Presbytery web site.

**Definitions for the Compensation**

**Effective Salary** is the amount the church pays the pastor in Salary and Housing, plus any other payments to the pastor, except (1) professional expenses reimbursed through an expense account; (2) SECA Relief (up to 50% of a minister’s SECA obligation); (3) honoraria; (4) pension dues and (5) premiums paid for additional group medical coverage. (In effect; the amount on which dues must be paid to the Board of Pensions.)

**Base Effective Salary:** The figure set for the year by presbytery as the minimum Effective Salary for a pastor, not including the mandatory adjustments, such as for experience and congregation size (see below). The Base Effective Salary for a full time position for 2018 is \$50,995. No church may extend a call for less than this base, plus the required Adjustment Factors, during 2018.

**Salary:** The cash salary paid to the pastor, plus any deferred compensation such as annuities. For calls including a manse, the **Cash Salary** must equal at least the **Effective Salary** divided by 1.3. (70% of the effective salary)

**Deferred Compensation:** Payments the church makes into a plan, other than the Presbyterian Pension plan, from which the pastor will later derive income.

**Housing:** Either the housing allowance provided by the church or the “fair rent value” of the manse provided by the church. A value of 30% of the effective salary is typically used.

**Fair Rent Value:** As defined by the Board of Pensions on Page 9 of the publication “Understanding Effective Salary, August 2012. It is part of effective salary for pastors living in manses, and is not subject to federal income tax. However, it is subject to self-employment tax. **Fair Rent Value** is the fair market value of the use of the manse and utilities.

**Housing Allowance:** The portion of **Effective Salary** designated to pay housing expenses.

**Professional Expense Account:** An amount designated in the terms of call for reimbursement to the pastor for particular professional expenses. Expense accounts of at least \$3,000/yr are required in the terms of call for automobile. Other expenses may be added. Expenses to be reimbursed must be stated in the Session minutes prior to the start of the year covered by the terms of call. Expense items are not to be paid in cash as part of compensation. They will be paid by approved voucher only.

**Adjustments:** The two factors used to adjust the **Base** upward to obtain the minimum **Effective Salary** for a particular pastor or associate pastor. (Discussed later in document)

**SECA (Self Employment Compensation Act):** The pastor’s Social Security payments, as required by the IRS, as a self-employed person. Most pastors are covered by the **Self-Employment Compensation Act** (Social Security). This means pastors are regarded, for Social Security purposes, as self-employed. As such, they pay the full Social Security tax rather than splitting the 15.3% tax with their employer. While churches may not pay half of the Social Security tax (FICA) for pastors as for other employees, churches may elect to provide **SECA Relief**.

**SECA Relief:** An amount paid to the pastor toward his/her payment of the Self Employment (Social Security) tax. **SECA Relief** is not required in the terms of call, but consideration of it is encouraged by the Committee on Ministry. Pension dues are not paid on SECA Relief so long as it does not exceed 50% of the pastor’s SECA obligation. Any amount of compensation above that 50% is subject to pension dues. **SECA Relief** does not count in **Effective Salary**, nor may it be used instead of full payment of minimum **Cash Salary**. For income tax purposes, **SECA Relief** is considered to be salary. Income tax and SECA tax must be paid on SECA Relief.

**Honoraria:** Sums given (not by the church) to the pastor in appreciation of professional services. They are not included in **Effective Salary**.

**Pension Dues:** paid by the church on the pastor’s **Effective Salary**: For 2018, the rate is 37% of Effective Salary (25% for medical coverage, 1% for death + disability, and 11% for pension). Installed Pastors is greater than 20 hours is mandatory.

**All pastors currently in called positions participating in the Board of Pensions shall continue to provide that coverage at the same level. All new calls and contracts are open for negotiation. Of primary interest is ensuring that the pastor has medical coverage through the Board of Pensions, an exchange or spouse medical plan. This will be part of negotiation between COM, the pastor and the congregation. Other forms of benefits will be open for discussion.**

**Employers are urged to talk to the Board of Pensions directly for their particular participation plan.**

**Additional Medical Coverage:** Under recent changes approved by the General Assembly, direct payment by the church to the pastor for medical expenses not paid by the pension plan because of the deductible are to be included in **Effective Salary**. Payments into a group medical plan (third party) are not however in **Effective Salary**, and are exempt from dues.

**Vacation:** All calls [pastor positions] shall include a minimum vacation of 4 hours per week (for a total of 4.3 weeks for the year). Earned vacation time must be taken within a particular calendar year, In very unusual circumstances earned vacation time may be taken in the following calendar year with prior approval of the Session. The vacation can be taken in shorter segments with prior Session approval, but no more than five Sundays may be used.

**Continuing Education:** All calls, shall contain a minimum of **two weeks leave with full salary each year** for the purpose of continuing education. A **reimbursement expense account of at least \$750 per year** shall be included. Continuing education time cannot be extended past three years (thus providing a maximum six week period for study). Scheduling the leave time shall be arranged in consultation with the Session, and postponing continuing education time from one year to another must be done with prior approval of the Session. **This will be paid by voucher and not given as cash compensation.**

**Sick Leave: Full time** Pastors and associates are entitled to ten (10) working days of sick leave each calendar year, cumulative up to one hundred and twenty (120) days. No compensation shall be provided for unused sick leave.

**This shall be prorated for part time depending on the terms of the contract (three days a week means 6 sick days a year, etc.)**

**Leave of Absence:** These policy statements represent a **minimally equitable policy** on leaves of absence. It is anticipated that individual churches will not feel limited by them and will respond to the need for pastoral leaves of absence responsibly and generously:

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1. **Medically Certified Disability:** Pastors who are, according to certification of a licensed physician, temporarily disabled shall receive full effective salary and pension for a period of such disability, not to exceed 13 weeks, at which time if disability continues, application may be made for disability benefits from the Board of Pensions for members of the Pension Plan. This policy shall apply to all medically certified disability, including pregnancy and pregnancy-related disability.
2. **Parental Leave:** Upon the birth or adoption of a child, the Session or appropriate governing body shall grant a pastor parental leave. The length of leave (recommended 12 weeks, minimum of 8 weeks) shall be determined by the Session or appropriate governing body. The leave typically begins at birth or placement of a child. An earlier start date may be considered in consultation with the pastor, physician, and Session or appropriate governing body. The expectant or adoptive parent shall inform the Session or appropriate governing body as soon as they are medically or legally capable to allow the session or appropriate governing body adequate time to find leave coverage. During this parental leave period, the pastor shall receive full effective salary plus full Pension dues. In the event the family has a pregnancy with medical complications, the pastor shall make arrangements for additional leave with the Session or appropriate governing body, under the terms of the **Medically Certified Disability** paragraph of this policy.
3. **Voluntary Personal Leave:** In addition to the paid leave provided in **Medically Certified Disability** and **Parental Leave** paragraphs of this policy, a pastor may, on request, be granted unpaid leave of up to eight weeks for convalescence and recuperation. Also, a pastor may, on request, be

granted unpaid leave of up to eight weeks for family or child care and similar personal situations. During such voluntary leave times, the church shall pay pension dues on the full effective salary specified in the call.

4. **Granting Leaves of Absence:** Whenever a **Leave of Absence** is granted by a church the Commission on Ministry shall be notified as to the time and terms agreed upon. The Commission on Ministry will, on request, provide consultative services for churches involved in problems relating to the granting of **Leaves of Absence**.

**Moderators of Sessions without a Pastor:** Pastors who are requested to moderate a session meeting or a congregational meeting when a congregation is without a pastor shall normally be paid an Honorarium of \$60.00 per meeting in addition to normal travel expenses. If there is any question, please contact the Presbytery office for additional guidance.

**Part-Time Pastors:** Part-time Pastors shall be compensated similarly to full-time pastors with salary and other forms of compensation being proportional to the amount of time agreed upon compared to the time requirements of a full-time position. All details of the agreement shall be entered into the call. The fraction of full-time is to be stated in the call. The Presbytery uses Hours as the unit of measurement of a pastor's work load. (A reminder) The average full-time is 48 hours a week. Half-time is thus 24 hours.

#### **Determination of Minimum Compensation**

The Salary Policy seeks to assure that all parish pastors are paid equitably. With this purpose in mind, minimum **Adjusted Base** salary levels have been established.

Every year the Presbytery sets a (minimum) **Base Effective Salary** to which all **Adjustment Factors** are added to calculate the minimum **Total Compensation**. Any change of base, such as a cost-of-living increase, is passed on to all pastors.

The **Base Effective Salary** includes all the elements that make up a pastor's **Total Compensation** (value of the use of manse, including utilities, and cash salary; or housing allowance, including utilities, and cash salary).

A. **Pastors:** Two adjustments are required to determine the pastor's **Adjusted Base** (minimum compensation):

1. The base must be increased one-third of one percent (0.33%) for each year of pastoral service since the pastor's ordination. This is called the **Experience Adjustment**. (Example: 15 years of service increases the base by 5%). This experience adjustment does not increase after thirty years when the base adjustment reaches 10%.

2. The base must be increased 1/10 of one percent (0.001) for each active church member in excess of one hundred. This is called the **Size Adjustment**. (Example: Pastor's church has 300 members. Subtracting 100 gives a figure of 200, which is then multiplied by 0.001 to give an adjustment of 0.20 (20%). The **Size Adjustment** does not increase beyond 600 members, when it reaches .50 (50%).

B. **Associate Pastors** are to be called at not less than the minimum salary plus one-third of one percent of the minimum for each year of service since ordination.

After the initial call, the minimum for a given year will be based on the **Presbytery Base Effective Salary** for that year **modified by the two adjustments listed below**.

1. Same as the **Experience Adjustment** for #1 solo pastors.

2. The base adjustment must be increased 3% for each year served as an associate pastor in the calling church. This is called the **Tenure Adjustment**. (Example: An associate pastor has completed 6

years in the calling church. This means that the tenure adjustment is equal to 3% (0.03) per year multiplied by 6 years, giving an adjustment of 18% (0.18). Additionally, the associate pastor was ordained 12 years ago which requires a 4% (0.04) experience adjustment. The pastor's adjusted base thus becomes 1.22.

When the adjustment factor reaches 1.60, no further increase occurs for any pastor or associate pastor. For associate pastors this limit occurs in 17 to 18 years.

No pastor may be called to a church for a total effective compensation which is less than that specified by this salary policy.

**Pastors with a housing allowance provided** are to be paid in cash, part of which is salary and the remainder is designated "housing allowance." This designation of the amount that is housing allowance by the appropriate church board is important to assure its non-taxable status. The adjusted base, described above, is the minimum amount that a pastor receiving a housing allowance can be paid.

**Pastors provided with the use of a manse** are compensated with salary (including deferred payments) plus "fair rent value" for the manse (including utilities). The sum is called **Effective Salary**.

#### **GUIDELINES FOR MINISTERS' CONTINUING EDUCATION AND STUDY LEAVE**

The Compensation Policy for Pastors of the Presbytery of West Jersey provides for two weeks annual study leave. Planned continuing education is of great value in helping ministers maintain and improve the skills required for their ministry. The Presbytery of West Jersey expects its ministers to use their study leave and participate in planned continuing education each year as provided by their terms of call.

The Presbytery has adopted on May 16, 2000, the following guidelines for use by pastors and churches or employing agencies in providing annual continuing education or study leave:

1. Study leave time and expenses may be used annually or accumulated in accordance with the terms of call. The money and time budgeted for continuing education shall be used only for continuing education as defined in the terms of call. Study leave time and expenses may be accumulated up to three years, but require prior approval of session.
2. Study leave time may not be used for vacation purposes.
3. Travel, food, lodging, registration, and related expenses incurred during study leave are reimbursable expenses for continuing education. Churches are strongly encouraged to provide sufficient funds to cover adequate expenses for two weeks of study leave.
4. In addition to study leave expenses as provided in the terms of call, the church or employing agency shall:
  - a. Continue the pastor's full negotiated salary
  - b. Pay the cost of pulpit supply (one Sunday for each weeks of study leave used by the pastor; normally the Sunday following the study leave time)
  - c. Pay for any other necessary pastoral services during the study leave time.
5. While ministers are ordinarily free to choose the nature of and location of their study leave, ministers are strongly encouraged to report to both their session and congregation about their use of study leave time.
6. Study time credit accrues to an individual pastor in direct relation to the call to a particular church. Should the pastor accept a call to another church or employing organization, any study time credit that has been earned in a particular ministry setting he or she is leaving shall automatically be forfeited and shall have no cash surrender value.

**GUIDELINES FOR PASTORAL COMPENSATION  
IN THE PRESBYTERY OF WEST JERSEY  
(November 2002)**

The following guidelines are intended to assist churches in providing adequate and appropriate compensation for their pastors and associate pastors. The assumption is that these churches are paying more than the presbytery minimum and are looking for help in assessing what is suitable and honorable for their ministers of word and sacrament. The considerations presented here are suggestive; they are not required. Churches are encouraged to consider these guidelines in going beyond the compensation minimums as adjusted for experience and congregational size.

A. **Comparable Positions**

The work of a pastor is unlike any other. Nevertheless, there are similarities to some other kinds of work that may help churches to establish a basis of comparison. There are several factors to consider.

1. **Education required**

Pastors and associate pastors must have a master of divinity or its equivalent in order to be ordained.

2. **Skills required**

Some of the basic skills needed in order to serve as a pastor or associate pastor include public speaking, teaching, counseling, program development, managing and administration, as well as possessing and continuously enhancing the core knowledge of theology and biblical interpretation.

3. **Public image**

Pastors continually relate to the public as role models and spokespersons.

B. **Job Complexity**

While all pastors work diligently, often sacrificing free time and serving at unusual hours, the degree of difficulty and the types of skills required vary considerably from position to position. The following factors illustrate some of the differences.

1. **Staff oversight**

The number of paid and volunteer staff who are directly supervised

2. **Program oversight**

The number and significance of programs for which the pastor is directly or indirectly responsible

3. **Ministry to individuals**

The number of persons – children, youth and adult – to whom the pastor or associate pastor is expected to give regular pastoral care

4. **Special competencies**

Skills for the particular position beyond what is generally required of pastors: This may include giftedness in youth ministry, ability to engage in community development, unusual excellence in preaching, high administrative and managerial expertise, etc.

B. **Base salary**

Applying all of the factors above regarding comparable positions and job complexity should enable churches to arrive at a base salary for their pastor and associate pastor positions. In a few cases, an honest evaluation for the position will rate it at the presbytery minimum. In a few cases at the other extreme, the evaluation will determine that the position is worth three or four times

the presbytery minimum. After carefully assessing the base salary for that position, churches should weigh the value of personal advancement and achievement, as described below.

C. Advancement and achievement

Pastors and associate pastors should be rewarded for continuing faithfulness and increasing competence in their work. The following factors should be considered in addition to any cost of living increase the church may offer.

1. Experience

Churches should recognize the value of the number of years in ordained ministry, and in some cases, other work prior to ordination, that contribute to improvement in the quality of ministry. Various presbyteries have recommended an increase above the base salary between 1/3 and one percent per year since ordination.

2. Tenure

Continuity in the same position is generally valuable for the church, since the disruption of changing the pastoral leader and the loss of experienced and knowledgeable ministry during the search period are costly to a church's ongoing ministry. Churches may decide to reward tenure in the same congregation either by a set factor each year or by special financial recognition at other regular intervals.

3. Education

An advanced degree beyond the master of divinity increases the pastor's effectiveness and is rightly rewarded by churches. In addition, the prudent use of continuing education opportunities may have added special competencies which, while no additional degree was rewarded nevertheless increases the value of the pastor's work.

4. Exceptional contribution

In certain years a pastor or associate pastor may have rendered unusually effective service to the church, which the church will want to recognize with a one-time bonus.

B. Other ways to honor pastors

In addition to an appropriate salary, churches should consider other ways to lighten the load of their pastors and associate pastors.

1. Ample funds for professional expenses

Too often pastors forego expenditures for books, subscriptions, business meals, or continuing education, or else they purchase such items out of their own pockets, because the church does not set a reasonable figure for professional expenses.

2. Home equity allowance

When churches provide a manse, it is always appropriate to provide some means for the pastor or associate pastor to build up an equity account that can be used in the future for housing or retirement.

3. Reimbursement of medical or dental expenses

Payment of medical deductibles or dental expenses is another way to provide additional income to the pastor or associate pastor. Such payments should either be included within effective salary (subject to tax and pension/medical dues) or arranged through additional third-party insurance.

4. Increased leave for continuing education

While two weeks per year for continuing education is the norm, an additional week may be highly valued by certain pastors.

5. Additional vacation and days off

After a certain number of years the church may provide additional vacation or additional Sundays free from pastoral responsibility.

6. Sabbatical

A sabbatical policy offers significant time away for study and personal refreshment after a

certain number of years of service in the same church. Presbytery adopted a Sabbatical Leave Policy in 2008 and should be followed.

B. General principle

Let the elders who rule well be considered worthy of double honor,\* especially those who labor in preaching and teaching. (I Timothy 5:17 NRSV)

\*or compensation (see footnote in NRSV)

This admonition raises questions about pastoral compensation. Surely, it means churches should be eager to pay their pastors as much as they can, rather than as little as the presbytery permits. There is the first and primary question: Are we trying to pay as well as we can or to get away with paying only what we must? What is our attitude toward our pastor and toward his or her compensation?

What does the consideration of “double honor” mean in a church whose members are not wealthy or affluent but struggle financially themselves? How can they compensate their pastor fairly and generously, not begrudgingly or jealously? In a church with many affluent or wealthy members, the pastor may be one of the more poorly paid people. At least, the compensation should reflect the living costs in the area, but some further questions need to be asked. Should the pastor have to scrape by while the church members live very well? How do we decide what someone’s work is worth to us? Is it merely a matter of “the going rate?” How do we value what the pastor does, and how does that value translate into compensating the pastor fairly and faithfully?

The minimum terms of call may be helpful as starting points, but the admonition from the New Testament requires of us both attitudes and actions that go well beyond meeting minimums to satisfy the presbytery. A better goal would be to have the satisfaction of knowing pastors are being paid, not minimally, but appropriately and well.