

2010

**COMPENSATION AND PERSONNEL POLICIES FOR
PASTORS AND CERTIFIED CHRISTIAN EDUCATORS**

National Capital Presbytery

These policies have been developed as a means of providing a uniform set of compensation and personnel policies to guide the Sessions of National Capital Presbytery in their relationships with their pastors and certified educators. Annual calculations of minimum compensation requirements are set out in the Appendix.

The policies were developed at the request of the Coordinating Team of Committee on Ministry by a special task force.

In the policies the term "pastor" includes all ministers of the Word and Sacrament serving National Capital Presbytery congregations. The term "educator" includes all Certified Christian Educators serving National Capital Presbytery congregations.

Where the terms "is", "required", "shall", or "will" appear, this shall be understood as mandatory. Where the term "may" appears, this shall be understood as suggestive only.

In those circumstances where a congregation does not have a personnel policy or session records which specify personnel decisions and the Committee on Ministry is required to adjudicate discrepancies between the Session's understanding and the Pastor/educator's understanding, the COM will be inclined to regard the recommendations found in this document as being operative for the particular church.

Originally Approved June 27, 2006

Updated June 10 & Sept 8, 2008

Updated July 1, 2009

**COMPENSATION AND PERSONNEL POLICIES FOR
PASTORS AND CERTIFIED CHRISTIAN EDUCATORS**

TABLE OF CONTENTS

	page
I. Salary	4
II. Housing	5
III. Relocation Assistance	7
IV. Professional Expenses	7
V. Self-Employment Tax/Social Security.....	8
VI. Pension-Major Medical	8
VII. Medical Reimbursement.....	10
VIII. Maternity-Paternity Leave	10
IX. Sick Leave	10
X. Disability Benefits.....	10
XI. Worker's Compensation.....	11
XII. Travel and Auto Expenses.....	11
XIII. Performance Evaluation.....	11
XIV. Study Leave	11
XV. Sabbatical Leave	12
XVI. Vacation.....	12
XVII. Weekly Time Off.....	13
XVIII. Holidays	13
XIX. Pulpit Supply Fee.....	14
XX. Fees for Baptisms, Weddings, Funeral/Memorial Services and Counseling	14
XXI. Savings Plans and Annuities.....	14
XXII. Appendix	14

**COMPENSATION AND PERSONNEL POLICIES FOR
PASTORS AND CERTIFIED CHRISTIAN EDUCATORS**
National Capital Presbytery

Introduction

The called relationship between pastor/educator and congregation is a unique employment situation. Presbyterian calls occur between pastors and congregations and educators and sessions who have discerned God's direction in creating a relationship of mutual ministry, and who have had that call validated and affirmed by the presbytery. Like other members of the Body of Christ, pastors/educators are called to be servants of God. God calls pastors and educators into service in a variety of settings each of which, when faithfully discerned, ought to be honored regardless of size or wealth of the congregation or specialized ministry. At the same time, faithful discernment of a call includes a practice of good stewardship of the resources of the whole of the denomination, not solely consideration of the preferences of a particular congregation. The connectional nature of Presbyterian call, and its initiation by God, preclude a purely economic or marketplace approach to the topic of compensation for pastors and educators.

Basic Considerations

When a pastor is called to a church, the local church, in the Call, promises the pastor a fair salary so that the pastor may "devote herself/himself full time to the ministry of the Word among us." The Session further promises and obligates itself "to review with the pastor annually the adequacy of this compensation." (Book of Order, G.14-0506). This review shall be recorded in the Session and Congregation minutes. (Book of Order, G-7.0302.a) Educators deserve the same consideration.

1. The church needs to recognize that the typical Presbyterian pastor or certified educator has completed training equivalent to other professional graduate degrees.
2. Many pastors come from seminary (and educators from graduate school) carrying heavy tuition indebtedness. In such circumstance committees calling pastors should discuss with them the implication for repaying these loans and how that fits into proposed salaries.
3. Sessions of our Presbytery should recognize that the cost of living in the presbytery is among the highest in the nation.
4. Sessions must stress the importance of adequate stewardship by all members of the church to sustain a fair salary for the pastor or certified educator. They should not make the pastor or certified educator carry the burden of poor congregational stewardship.

5. Pastors and certified educators affirm that their calls are calls to service and not for financial gain. There is a balance that pastors or certified educators and churches must maintain between what is needed for the pastor or certified educator to work in the ministry of the church, and what the local church can support.
6. The goal of the Presbytery policy is to provide every pastor/educator with an adequate salary by which they can live in this area and be able to retire after 40 years of service to the church with adequate resources to see them to their life's end. These salary requirements are designed to place particular rules in place which will accomplish this particular goal. Other creative approaches can certainly be considered for approval by the Committee on Ministry, however ordinarily the Committee on Ministry will follow these particular standards and will not approve salary packages that do not minimally meet these standards.

I. SALARY

The minimum salary for pastors and certified educators working full time (40-50 hours a week) is 61.6% of the churchwide median effective salary as computed by the Board of Pensions. The median effective salary as calculated by the Board of Pensions can be found at:

<http://www.pensions.org/portal/server.pt>.

Rationale: The churchwide median effective salary includes housing which is computed by the Board of Pension formulas to be 30% of the salary. National Capital Presbytery's minimum cash salary is 80% of the churchwide median effective salary less housing. This is, in effect, 61.6% of the churchwide median effective salary including housing. See Item 3 in the Appendix for a step-by-step guide to this calculation.

Guidelines for Salary Levels

1. Each year (usually at the June Presbytery meeting) the Presbytery establishes a minimum salary level for all full-time pastors and educators. No salary shall be below this level. These standards shall be posted on the Presbytery website and updated annually (see Appendix for annual changes).
2. Annually the Presbytery approves changes in every pastor/educator's terms of call and publishes a compensation report on pastor/educator salaries within the Presbytery.
3. Part-time pastor and educator compensation shall be proportional to the hours worked, based upon a 40-50 hour work week.
4. Normally church professionals, such as pastors and certified educators, work 40-50 hours per week. If more time is required in a given week, additional time off may be taken during the following week. For the health and well-being of both the pastor/educator and the congregation, attention shall be given to a proper work-life balance.

Tax Reporting Requirements

Pastors have a dual tax status. For federal income taxes, pastors are ordinarily considered employees, but for social security purposes they are self-employed with regard to services performed in the exercise of their ministry. An IRS form W-2 should then be issued by the church for pastoral services (see additional tax resources referenced in the Appendix).

II. HOUSING

The goal of a housing allowance is to provide (a) a means for adequate housing for the particular pastor/educator and (b) sufficient resources whereby the pastor/educator may be able to own a home (not necessarily in this area) after 40 years of service. Such arrangements should be designed for maximum tax advantage available to the pastor/educator. Housing and salary are separate aspects of a pastor's call for tax purposes, however a Certified Christian Educator's terms of call will often combine the salary and housing in a single line item as the church will pay FICA and withhold taxes on this entire amount. That single salary line item in an educator's terms of call shall be the sum of the salary and housing designated in this document.

1. In the case of a pastor/educator living in a manse with paid utilities, the church shall (a) place funds in a separate fund (deferred equity allowance, 403b, etc.) an amount of 1/40th of the "median house cost" or (b) pay the pastor/educator additional salary if the pastor/educator has a long term housing plan. The "median house cost" is established to be latest quarterly reported US median sales price of existing single-family homes for metropolitan areas as calculated by the National Association of Realtors. This information is available at <http://www.realtor.org/research/research/metroprice>.
2. In the case of a pastor/educator renting housing, the church shall pay the pastor/educator a housing allowance
 - a. equal to or exceeding the median fair market rent as calculated by HUD for a three bedroom intermediate rent for the Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area. The HUD calculated Fair Market Rent for three bedrooms can be found at http://www.huduser.org/datasets/fmr/fmrs/2008summary.odn?inputname=METRO47900M47900*Washington-Arlington-Alexandria%2C+DC-VA-MD+HUD+Metro+FMR+Area .
 - b. Utilities at 25% of this HUD FMR for three bedrooms.
 - c. Furthermore, the church shall
 - i. place funds in a separate fund (deferred equity allowance, 403b, etc.) an amount of 1/40th of the "median house cost" or
 - ii. pay the pastor/educator additional salary/housing allowance if the pastor/educator has a long term housing plan.
3. In the case of a pastor/educator purchasing housing, the church shall pay the pastor/educator a housing allowance equal to or exceeding the above calculated rental, utility and the 1/40th of the median house cost.

Creative housing alternatives such as equity sharing or investment possibilities, are possible to help a pastor/educator afford to live in the area. The only requirement in this regard is that the risk and the reward of such arrangements be proportionately shared between the pastor/educator and the congregation or calling agency in the judgment of the Committee on Ministry. All equity sharing, investment agreements or other agreements related to housing are subject to the approval of the Committee on Ministry. Contact the Presbytery office for help with these matters.

The Presbytery has prepared a Microsoft worksheet for calculating salary and comparing to minimum standards. This worksheet is available upon request by email attachment. Contact jspargur@thepresbytery.org.

Important Considerations

1. The Session's Personnel Committee needs to recognize that the housing costs in the Washington, DC, metro area is among the highest in the nation, both for rental and purchase.
2. There is great value in having the pastor/educator living within and identifying with the same parish community in which most of the members live. The Session's Personnel Committee needs to think through carefully the question of what is equitable for a pastor/educator and family to live within the geographical parish area.
3. Most housing costs now consume more than 40% of the total family income.

Basic Guidelines

1. Under the Internal Revenue Code, an ordained pastor may exclude a housing allowance from income for tax purposes, if it is designated *in advance* and paid as part of compensation when that allowance is used for:
 - a. Rent of a home ,or
 - b. Purchase of a home, including down payment, mortgage, legal fees, fees for searching the title, installment payments, interest, taxes, fire and home liability insurance premiums, repairs, etc. ,and
 - c. Expenses for maintaining a home (other than for costs of food) such as utilities, furnishings, repairs, and landscaping.
2. The Internal Revenue Service has ruled that an ordained pastor may exclude from her/his gross income "only an amount equal to the fair rental value of the home, including furnishings and appurtenances such as garage, plus the cost of utilities" or can exclude "the amount of compensation used for: (1) furnishings, running expenses and real estate taxes to the extent they do not exceed the fair rental value, and (2) utilities."
3. Prior to the last session meeting of each year, each pastor shall complete and submit to her/his Personnel Committee a request for an appropriate housing allowance for the

coming year. Based upon this data the Personnel Committee and the Session will approve specific amounts to be designated for housing allowance for the up-coming year for each pastor. This action shall be recorded in the Session minutes subject to approval by the congregation.

4. If the total amount designated for housing allowance is not fully used for housing it is the pastor's responsibility to include the balance as gross income in computing tax liability for the year in which it is received.
5. If the church provides a manse, it shall be in good repair and large enough for the pastor's family needs. There should be a committee of the Session to work with the pastor to see that the manse is well maintained.
6. If a manse is provided, the Board of Pensions requires an amount be added to effective salary for the calculation of dues. This is normally calculated at 30% of cash salary though a higher percentage may be indicated in this presbytery.

III. RELOCATION ASSISTANCE

The National Capital Presbytery requires congregations to pay the cost of all actual moving expenses (item "a." below). The Presbytery recommends congregations extend reimbursement for items "b-g."

Non-Taxable Reimbursements

- a. moving costs up to a limit of 12,000 pounds of packing and crating household goods and personal effects
- b. in-transit insurance
- c. temporary storage up to a limit of one year
- d. moving costs for one personal car

Taxable Reimbursements

- e. house hunting travel expenses for the pastor and spouse (one round trip covering a period not to exceed 5 days) including lodging and meals
- f. transfer travel expenses for final trip of the family (based on air travel)
- g. temporary housing expenses at the new location (not to exceed 30 days)
- h. If the church reimburses the pastor for the cost of selling old residence, cost of buying or leasing new residence and/or terminating old lease (up to \$4,000), it is a taxable reimbursement.

The expenses noted in "h" above include attorney's fees, escrow fees, appraisal fees, real estate agent's commissions, title costs, and "points" paid for service other than interest.

IV. PROFESSIONAL COSTS

Many pastors/educators experience professional costs other than car expenses and study leave expenses. Sessions may want to establish a separate "professional expense" category which could include such items as:

1. Attendance at Presbytery, Synod, General Assembly,

2. Attendance at professional conferences and continuing education events,
3. Books and professional journals which are used as essential tools for ministry,
4. Administrative costs for such items as meetings, special retreats and personnel expenses for the staff when involved in carrying out their duties.

Congregations may choose to combine Continuing Education, Professional Expenses and Travel expenses into one line item or in separate line items. IRS regulations require that these expenses be vouchered for reimbursement. Any expenses that are not vouchered are subject to taxation.

V. SELF-EMPLOYMENT TAX/SOCIAL SECURITY

1. Pastors are considered by the Internal Revenue Service as "self-employed" for Social Security purposes, and therefore the entire Social Security tax is to be paid by the pastor. This is referred to as "Self-Employment Tax".
2. The base upon which a pastor pays Self-Employment Tax (Social Security) includes:
 - a. Cash salary
 - b. Housing allowance and utilities
 - c. Other income
3. Since the pastor is self-employed, the church cannot withhold Social Security tax from the pastor's compensation. All congregations in National Capital Presbytery shall pay 7.65% of the BOP "effective salary" as a social security off-set to their pastors. The social security offset is not required for certified educators since their FICA is paid by the employing agency which deducts the employee portion of FICA and adds to it the employers portion of FICA and sends these funds directly to the IRS and reports such on the educator's W-2.

A pastor's social security off-set can be paid

- a. in regular installments with other pay,
- b. in quarterly portions corresponding to IRS deposit requirements (immediately prior to April 15, July 15, September 15, January 15); or
- c. the pastor may direct the social security offset be included in the form of excess withholding tax.

100% of any self-employment tax reimbursement amount paid to the pastor must be added to the total salary upon which income taxes and Self-Employment Taxes are to be paid. (include in line 1 of W-2 form)

4. For current rates and earnings limits for Self-Employment tax, contact the local Internal Revenue Service office.

5. Some pastors have filed with the Internal Revenue Service to be exempt from Social Security payments. It should be noted:
 - a. Participation in Social Security is now obligatory unless one objects to participation by reason of religious principle or conscience. Financial considerations are not a legal basis for waiving participation (i.e. feeling that one would be financially ahead by investing in another program.)
 - b. A member of the Presbyterian Pension Plan who does not participate in Social Security and is not eligible for Medicare Part A and Part B will not be eligible for the Board's Medicare Supplement coverage after retirement.

VI. PENSION-MAJOR MEDICAL

Medical and Pension benefits for educators should be provided at a level comparable to that of the Board of Pension plan unless the educator has similar or better coverage through another source.

The Call of each pastor requires that she/he shall be enrolled in the Board of Pension's pension and major medical plan of the Presbyterian Church (USA). Details of the plan can be found at www.pensions.org.

The Session shall remit monthly to the Board of Pensions the required dues based upon the following:

- | | | |
|----|----------|--|
| a. | \$ _____ | Annual cash salary |
| b. | \$ _____ | Housing allowance |
| c. | \$ _____ | Deferred compensation |
| d. | \$ _____ | Utility and furnishing allowances |
| e. | \$ _____ | Bonuses, unvouchered allowances, gifts from employer |
| f. | \$ _____ | Other allowances (e.g., medical deductibles, SECA allowances in excess of 50% of estimated obligation, etc.) |
| g. | \$ _____ | Manse amount (must be at least 30% of lines a-f for Members who qualify for the IRS housing allowance exclusion) |

These items are defined carefully on the Board of Pension instructions (www.pensions.org)

Failure to make the required payment seriously jeopardizes the pastor's retirement benefits. Aid-receiving churches which are in arrears two quarters or more, will have pension dues deducted from their monthly check.

The percentage of dues paid on the pastor's total salary is established by the Board of Pensions.

If the church pulpit is vacant due to the departure of a pastor, there is a fixed percentage established by the Board of Pensions which shall be remitted. This is

referred to as Vacancy Dues and is currently 12% on the salary of the person last holding the now vacant position and payable for one year. Churches which are in arrears in vacancy dues or pension payments, will not be allowed to call an installed pastor. Under some circumstances these dues can be waived. Refer to www.pensions.org. Such a request requires the approval of the COM.

Churches employing retired pastors should check with the Board of Pensions regarding required post-retirement payments.

All local churches and pastors should have a copy of the **Terms of the Benefits Plan of the Presbyterian Church (USA)**. This may be secured from the Board of Pensions.

Pastors are reminded that a Board of Pensions Service/Salary Change form (ENR-100) be completed any time there is a change in the terms of call.

VII. MEDICAL REIMBURSEMENT (Cafeteria 125 plans)

Because the Major Medical Plan of the Board of Pensions does not fully reimburse a pastor/educator for medical expenses, many churches have established a medical reimbursement fund upon which the pastors and their families may draw each year. (Referred to as a “Cafeteria 125 fund,” some IRS rules apply.) If a church wishes to follow this practice, the amount of the fund shall be established annually, as a part of the annual compensation review. The fund shall be used only for the same type of deductibles which are covered by the Major Medical Plan of the Board of Pensions and other qualified medical and child care uses defined by IRS rules.

VIII. MATERNITY-PATERNITY LEAVE

In addition to other benefits, a session is encouraged to consider the inclusion of maternity and/or paternity leave in their personnel policies for all staff. Churches can consult the National Capital Presbytery Personnel Policies if they care to see a sample policy in this regard.

XI. SICK LEAVE

The congregation shall provide at least 12 days of sick leave annually which can be accumulated up to 90 days total. Ordinarily earned but not used sick leave is forfeited at employment termination without compensation.

X. DISABILITY BENEFITS

If a pastor/educator remains disabled by illness or injury after exhausting all accumulated paid sick leave benefits, the pastor/educator will also be entitled to the following:

1. A pastor is eligible for disability benefits as a participating member of the

Benefits Plan of the Presbyterian Church (USA). Disability benefits commence after 90 days of disability. See www.pensions.org.

Disability benefits (Board of Pensions and Social Security together) equal 60% of the pastor/educator's effective salary on the date disability began.

2. Churches are responsible for the pastor/educator's compensation for the first 90 days of disability. This should include pay for unused sick leave.
3. Refer to a particular state's disability statutes to ensure compliance.
6. For current information on disability benefits, contact the Board of Pensions area representative.

XI. WORKER'S COMPENSATION

Consult local regulations regarding requirements in this regard.

XII. TRAVEL AND AUTO COSTS

A pastor/educator's work includes much travel for hospital and home visitations, as well as travel for governing body responsibilities. These travel costs shall be reimbursed as part of the terms of the Call to the pastor. Auto expenses are not to be added to the W-2 form if the reimbursement is done in accordance with an accountable reimbursement plan, but each pastor must account to the church for travel expenses.

Auto expenses are constantly increasing and such reimbursements should reflect this. It is recommended that the current I.R.S. mileage rate be established as the amount reimbursed. Reimbursement in excess of the I.R.S. mileage rate, must be added to the pastor's W-2 as additional compensation.

As mentioned above in "Professional Expenses", Travel expenses, Continuing Education Expenses and Professional expenses may be combined into the same line item in the church's budget or as separate line items.

XIII. PERFORMANCE EVALUATION

Every pastor/educator shall have an annual performance review with the Session itself or the Session's Personnel Committee

The Session is also required by the **Book of Order** (G-10.0102) to review the adequacy of the pastor(s) salary. It is recommended this be done at a time separate from the performance review with several months between the two evaluations.

Such evaluations should be supportive and encouraging to help the effectiveness of the pastor/educator. Criticism should be constructive. It is to be remembered that people function better under proper encouragement. The Committee on Ministry stands ready to aid any session in this regard.

Each church shall have a current job description for each pastor/educator, against which the pastor/educator may be evaluated for work completed and effectiveness of her/his ministry.

Evaluation tools may be secured from the Presbytery office.

XVI. STUDY LEAVE

A study leave of at least two weeks per year (14 days including normal days off – see appendix for calculation examples) shall be provided for all full-time pastors and certified educators as part of the terms of Call. Normally the study leave should be taken each year. The study leave may be accrued up to six weeks (three years). Unused study leave funds may be accumulated up to three years. Contact the Presbytery office or see the appendix for the minimum study leave allowance.

The purpose of the study leave is to enhance the professional abilities of the pastor/educator which shall be mutually beneficial to both the pastor/educator and the church. The goal is for self-development in the work of ministry and not for vacation, recreation, or leisure. Study leave should equip a pastor/educator for the work not only in the local church, but the whole Church. Hence a study leave may have immediate and direct relevance broader than the current pastoral position.

Each pastor/educator shall present the plans and rationale for each study leave to the Session for discussion, approval, and the timing of the leave.

In the event of termination of service, any accumulated study leave time and allowance shall be forfeited. Pay in lieu of this study leave will not be provided.

A written report of each study leave shall be given to the Session at the next meeting following the conclusion of the study leave.

Provision must be made in planning the study leave to cover the pastor/educator's work during the absence.

XV. SABBATICAL LEAVE

To enable pastor/educators to devote significant time to their spiritual, technical or professional development, sabbatical leave may be granted within the following guidelines:

1. Ordinarily, the pastor/educator must have completed six (6) years of credited service in the local church, with the sabbatical leave to be taken in the seventh year of ministry. At the discretion of the session, sabbatical leave may be granted earlier.
2. At least six years must have elapsed since any previous extended sabbatical leave.

3. A written plan with identified goals must be approved by the Session and by the Presbytery Committee on Ministry. This must be done long enough in advance so that budget and staff needs will be met.
4. Ordinarily the length of sabbatical leave will be three (3) months. Earned vacation within a particular year or accumulated study leave from previous years can be added to the sabbatical time with the approval of the session.
5. The local church may, but is not required to be financially responsible for the pastor's expenses of sabbatical leave to a degree greater than the standard and accrued professional allowances.

XVI. VACATION

1. A vacation with pay is provided for all pastor/educators. It is a necessary time of rest, refreshment, and relaxation for health and work performance.
2. It is the responsibility of the Personnel Committee and the pastor/educator to see that vacation time is used annually in order to have an effective ministry.
3. Vacation is to be kept separate from study leave, attendance at conferences, or weekly days off and sabbatical leave.
4. Pastors/educators are encouraged to take vacation in a large enough block of time (at least one week) for the refreshment which is necessary for effective renewal.
5. Pastors/educators in National Capital Presbytery shall have as part of their Call at least four weeks of vacation. This is to be defined as twenty-eight (28) calendar days, including their normal days off during the vacation period and no more than 4 Sundays. (see appendix for example calculations)
6. The church shall be financially responsible for coverage of all pastoral functions including preaching.
7. The Presbytery encourages that up to but no more than 10 days of vacation time be rolled from one year into the next calendar year. The annual refreshment from vacation comes only if the pastor or educator takes the vacation regularly. Excessive accumulation of vacation time does not provide for that regular refreshment. Unused vacation benefits are payable in full to the date of the dissolution of the call.

XVII. WEEKLY TIME OFF

1. Pastors/educators are expected to take at least one full, uninterrupted day off each week.
2. When there has been an unusually heavy week, pastors/educators are encouraged to take an extra day off during the next week to compensate.

This is not considered vacation day.

3. The Committee on Ministry of the Presbytery considers a normal pastoral week to be 40-50 hours.

XVIII. HOLIDAYS

1. Churches shall provide the following paid holidays:

New Year's Day
Martin Luther King, Jr. Birthday
President's Day
Easter Monday
Memorial Day
Independence Day
Labor Day
Thanksgiving Day and the following Friday
Christmas Day and the day after

2. If a pastor or educator works on a designated holiday, another day shall be recognized as a day off.
3. When a holiday falls on a Saturday or Sunday, it shall be observed as a holiday on the nearest Friday or Monday respectively.
4. When a holiday occurs on a pastor's day off, it may be observed either the day before or the day following.

XIX. PULPIT SUPPLY FEE

1. The church shall establish an adequate budget reserve to cover the costs of a substitute for the pastor when required during periods of vacation, study leave, and other absences.
2. A guest preacher shall be reimbursed for travel expenses in addition to a minimum honorarium of \$150.00.

XX. FEES FOR BAPTISM, WEDDINGS, FUNERALS/MEMORIAL SERVICES AND COUNSELING

Pastors shall not expect any compensation from church members for performing baptisms, weddings, funerals or memorials, or pastoral counseling.

XXI. SAVINGS PLANS AND ANNUITIES

The local church and pastor/educator may wish to enter into some type of arrangement whereby money is withheld from the pastor/educator's salary and placed into a tax deferred savings plan.

There are various tax-sheltered plans and annuities which are available for such purposes. The Board of Pensions has established a 403b with Fidelity. Another

plan has been designated by the Internal Revenue Service as a "Tax-sheltered Annuity Program for Employees of Public Schools and Certain Tax-exempt Organizations." Yet another alternative is a "Rabbi Trust." Pastors are encouraged to consult with tax and investment professionals.

Tax code provisions of any such plan must be closely followed by the Session and the pastor/educator.

XXII. APPENDIX

These calculations will change from year to year and sometimes from quarter to quarter depending on the formulas employed. The formulas stay the same, the raw data referenced will change. This raw data was last researched and entered on June 22, 2009. A summary of the compensation data for use in terms of call that take effect in 2010 is attached. Please contact Jeannie Spargur at jspargur@thepresbytery.org for the spreadsheet.

1. **The median effective salary** as calculated by the Board of Pensions can be found at <http://www.pensions.org/portal/server.pt>. The churchwide median effective salary, announced for 2010 on June 19, 2009, has been established by the Board of Pensions at \$52,200. The minimum fulltime salary in National Capital Presbytery is \$32,155.
2. To calculate the Presbytery's minimum salary figure from the churchwide median effective salary:
 - a. Start with the median effective salary which for 2010 is \$52,200. This figure represents the middle salary and housing amount paid to pastors of Presbyterian churches nationwide.
 - b. Multiply the median effective salary by .77 to remove housing expenses as calculated by the Board of Pensions. Salary alone would then be \$40,194.
 - c. The minimum cash salary for National Capital Presbytery has been set at 80% of this figure. Multiply the median effective salary reduced by housing (\$40,194) by .80 to calculate the Presbytery's minimum cash salary..
 - d. The 77% and the 80% calculations together amount to 61.6% of the median effective salary (with housing included).
 - e. $\$52,200 \times .77 = \$40,194$
 $\$40,194 \times .80 = \$32,155$
 $\$52,200 \times .616 = \$32,155$
3. The Presbytery provides congregations with annual guidance concerning increases in the financial terms of call. This advice usually comes in the form of a percentage increase which is linked to the increase in cost of living (see #8 below). The cost of living is a good benchmark, but should not be used as the sole factor. Other considerations such as experience, length of service, and ratios to other staff members might also be considered. Use of an across the board percentage increase as the sole factor in determining salary increases leads to widening gaps between members of the pastoral staff, between pastoral staff and educators, and between professional staff and support staff which may not be intentional, faithful, or helpful. One possibility to consider is to give across-the-board fixed-cash amount as raises acknowledging that a dollar for one person buys the same thing as a dollar for another. Another possibility is to give a combination of a fixed-dollar amount and a percentage-of-salary amount together as the

annual raise.

4. **The “median house cost”** is established to be latest quarterly reported US median sales price of existing single-family homes for metropolitan areas as calculated by the National Association of Realtors. This information is available at <http://www.realtor.org/research/metroprice> . The first quarter preliminary 2009 data places this figure at \$169,000, 1/40th of which is \$4225.
5. The HUD calculated **Fair Market Rent** for three bedrooms can be found at http://www.huduser.org/datasets/fmr/fmrs/2009summary.odn?inputname=METRO47900M47900*Washington-Arlington-Alexandria%2C+DC-VA-MD+HUD+Metro+FMR+Area&data=2008&fmrtype=Final. The 2009 data places this figure at \$1647 a month. The Utility allowance (25%) is then \$412 a month.
6. **Vacation:** Vacation is four weeks (28 days) including days off. For example if a pastor/educator takes one day off a week, his/her vacation would be calculated as 28 days, less the 4 days off a week the pastor/educator over a four week period which would provide for 24 days off annually. Of course if a pastor/educator were to take vacation for two continuous weeks and the pastor takes Mondays off, he/she would take 12 days of vacation plus the two ordinary Mondays off for a total of 14 days. If a third Monday off were added at the end, this would come to 12 days of vacation and 3 days off for a total of 15 days. If the pastor ordinarily takes two days off a week, four weeks of vacation would come to 20 working days off annually.
7. **Study leave** would be calculated in the same manner as vacation. The minimum study leave and book allowance for pastors and educators is \$1000 annually.
8. **The Cost of Living Index:** The “cost of living” is based on the percentage increase or decrease in the consumer price index, using data from the U.S. Bureau of Labor Statistics. (<http://data.bls.gov>). The Committee on Ministry calculates changes in the cost of living using data on the “Consumer Price Index for Urban Wage Earners and Clerical Workers” in the “Washington Baltimore” area. The difference between the January factors for the current and the previous year is divided by the January factor of the previous year. The Presbytery recommends that congregations adjust salary packages by this calculated cost of living percentage change. For 2010, the recommended increase is 4/10 of 1% over 2009 salary levels. This was calculated by comparing the January 2008 factor of 135.826 and the January 2009 factor of 136.359, yielding a difference of 0.533. 0.533 divided by 135.826 yields a percentage increase of 0.0039, which is rounded to .004 (4/10 of 1%).
9. **Tax resources**
 - a. Internal Revenue Service Publication 517, *Social Security and Other Information for Members of the Clergy and Religious Workers* Available at <http://www.irs.gov/pub/irs-pdf/p517.pdf>
 - b. Internal Revenue Service Publication 17, *Your Federal Income Tax For Individuals* Available at <http://www.irs.gov/pub/irs-pdf/p17.pdf>
 - c. Internal Revenue Service, *Tax Guide for Churches and Religious Organizations* <http://www.irs.gov/pub/irs-pdf/p1828.pdf>

2010 COMPENSATION INFORMATION
NATIONAL CAPITAL PRESBYTERY

In 2006, National Capital Presbytery adopted its Compensation and Personnel Policies for Pastors and Certified Christian Educators (the Policy). The full text of the Policy is available on the Presbytery website (www.thepresbytery.org). However, certain elements of the Policy change annually and these changes affect terms of call. The key changes are described below as guidance to churches developing or reviewing terms of call. For further information, please contact Elder David Hunn, a member of the Committee on Ministry, at david.hunn1@verizon.net or at (703) 795-0684 (cellphone).

Annual Cost of Living Adjustment. The Presbytery provides congregations with a suggested percentage increase in the financial terms of call based on the increase in cost of living. For 2010, the cost of living percentage increase is .004 (4/10 of 1%). This increase is applied to the total of the cash salary and housing allowance. While the cost of living is a good benchmark, however, it should not be used as the sole factor. Other considerations such as experience, length of service, and ratios to other staff members might also be considered. See Section XXII.3 of the Policy for further discussion.

Equity Allowance. The Policy states that the compensation package should provide “sufficient resources whereby the pastor/certified educator may be able to own a home (not necessarily in this area) after 40 years of service”. If the minister receives a housing allowance to purchase a home, this requirement is met. Otherwise, the terms of call should include an equity allowance. The minimum equity allowance for 2010 is \$4,225. For further information on paying equity allowances, please consult the presbytery website and click on Documents and COM Policies.

Minimum Effective Salary. The Policy establishes a minimum effective salary for pastors/certified educators. For terms of call in calendar year 2010 (Jan. 1 – Dec. 31, 2010), the minimums are:

Pastors buying or renting homes; all certified Christian educators	\$61,088
Pastors living in manse	\$47,294 ¹

¹For pastors living in a manse, this minimum effective salary includes a “Manse Amount” that is 30% of all the other elements of effective salary. The total effective salary on which to base Board of Pensions dues and social security offsets includes the Manse Amount.