

# PRESBYTERY OF CHICAGO - COMMITTEE ON MINISTRY

## 2009 GUIDELINES FOR DETERMINING SALARIES for CLERGY AND CERTIFIED CHRISTIAN EDUCATORS

### 1. THE PRESBYTERY OF CHICAGO APPROVED MINIMUM ANNUAL COMPENSATION FOR FULL TIME ORDAINED CLERGY FOR 2009 IS AS FOLLOWS:

- **Cash salary and housing(effective salary):** \$41,797
- Full cost of participation in the **Pension, Death and Disability Plan and in the Major Medical Plan of the PC(USA)**. 31.5% of effective salary (cash salary and housing)
- **Continuing Education:** A minimum of \$600 allowance and two (2) weeks study leave per year with the recommendation that the allowance and time may be accumulated upon review and concurrence by session and pastor(s).
- **Travel Allowance:** Business miles to be reimbursed at current IRS rate up to a maximum determined by the congregation
- **Vacation:** Four (4) weeks, including Sundays

### 2. CHECKLIST FOR SALARY REVIEW

#### NON-REIMBURSABLE COMPENSATION AMOUNTS

- A. Cash Salary \_\_\_\_\_
- B. Housing costs/Value of Manse \_\_\_\_\_  
Manse ( ) or Housing Allowance ( )
- C. Utilities (if any) \_\_\_\_\_
- D. TOTAL CASH PLUS HOUSING (A through C) \_\_\_\_\_  
(Must meet or exceed minimum cash/housing requirement of \$ for 2009)
- E. Tax Sheltered Annuity (if any) \_\_\_\_\_
- F. Individual insurance premiums in addition to the group premium \_\_\_\_\_
- G. TOTAL EFFECTIVE SALARY (D through F) \_\_\_\_\_  
(Base on which pension/medical dues are determined)
- H. Pension/medical plan dues (31.5% of G) \_\_\_\_\_  
**NOTE:** If base falls below \$33,020 for part-time positions, dues must be figured as described in Item 3E, page 3.
- I. Social Security Supplement (See Item 3C, p.2.) \_\_\_\_\_

#### REIMBURSABLE EXPENSES

- J. Study allowance - (\$600 minimum) \_\_\_\_\_  
Recommended: may be accumulated.
- K. Auto/Travel Expenses (reimb. on voucher at \_\_\_\_\_  
the current IRS approved rate up to max. approved by congregation.)
- L. Other Expenses (if any) \_\_\_\_\_
- M. TOTAL COST TO THE CHURCH (G through L) \_\_\_\_\_

#### OTHER TERMS OF CALL

- N. Vacation (minimum 4 weeks) \_\_\_\_\_
- O. Study Leave (minimum 2 weeks; recommended: may be accumulated.) \_\_\_\_\_

### 3. ADDITIONAL INFORMATION/RECOMMENDATIONS

#### A. MINIMUM CASH SALARY AND HOUSING - \$41,797 FOR 2009:

This figure is based on full time ministry of 50 hours per week.

The 2009 figure reflects a change of \$1,217 over the year 2008.

The guidelines apply to all pastoral staff including temporary pastors (interims, stated supplies, temporary supplies). Part-time pastors should receive at least a proportionate amount of the recommended full time minimum cash/housing amount.

Beyond the minimum cash/housing amount of \$41,797, the Committee on Ministry makes no recommendations based on experience or size of congregations.

#### B. HOUSING and UTILITY COSTS (Please see [www.pensions.org](http://www.pensions.org) for "Tax Guide for Ministers and Churches")

Federal law allows housing costs to be declared non-taxable as far as income tax is concerned for clergy. Social Security tax is levied on the amount, however. If a housing allowance is offered, it should be based on the actual cost of housing for the pastor. It is the pastor's responsibility to determine what portion of the total cash plus housing amount is to be designated as housing and to justify that amount to the IRS. Amounts spent for mortgage payments, homeowners' insurance, taxes, upkeep may be included. **Housing allowances MUST be designated by a vote of the session or the congregation by December 31 of the year previous to the year in which the housing allowance will be used.** The housing allowance CANNOT be declared retroactively.

The Committee on Ministry or the Board of Pensions may be helpful in determining other allowable costs.

**If a manse is provided**, the value of the manse may be declared as greater than or equal to 30% of the cash plus deferred compensation salary. The housing amount declared may include the cost of furnishings, upkeep and utilities. The Committee on Ministry or the Board of Pensions may be helpful in determining other allowable costs. Another option for declaring manse value is to determine the fair rental value of the manse. To do this, ask two independent realtors to appraise the dwelling. The monthly fair rental value is one percent of the appraised value of the dwelling. Housing allowance would be equal to 12 months fair rental value.

**NOTE:** If the manse value falls below 30% of the total cash and deferred compensation amount (Items 2A plus 2E above), the Board of Pensions will determine a pension/medical dues base by including an amount that increases the housing figure to 30% of the cash plus deferred compensation amount. This results in an increase in pension/medical plan dues, but not an increase in compensation to the pastor. See also Item D, below, definition of Effective Salary.

Utility costs may or may not be included as part of the cash/housing or effective salary. The Committee on Ministry or the Board of Pensions may be helpful in determining what would best benefit pastor and church.

#### C. SOCIAL SECURITY SUPPLEMENT

**Ordained clergy are considered self-employed** and must file tax reports accordingly. Under self-employed regulations, clergy must pay the full Social Security tax of 15.3% for 2009. Congregations may choose to pay all or part of the Social Security tax as an additional benefit to the pastor. The Committee on Ministry suggests that churches consider paying one half of the Social Security tax, which will result in an additional payment to the pastor of 7.65% of Item 2D (cash/housing), in 2009. If the church pays more than the 7.65%, the extra amount will be figured into the pension/benefits dues base.

**\*\*\*\*\* It is IMPORTANT to note that paying a Social Security supplement has the effect of an INCREASE in cash salary. Therefore the amount is subject to federal and state taxes, and any amount in excess of 7.65% is subject to pension and benefits dues. Churches and pastors may want to contact Committee on Ministry or the Presbytery Staff for additional information.**

**D. EFFECTIVE SALARY - DEFINITION FROM BOARD OF PENSIONS MANUAL**

"Effective salary is the total of cash salary, manse or housing allowance and deferred compensation (such as a tax-deferred annuity or IRA contributions). A utility allowance, if provided, does not have to be included but may be added to the manse or housing allowance. Other allowances may be included at the employer's discretion (such as car allowance or education allowance) as part of cash salary. The value of a church-owned manse, if provided, should equal at least 30% of the total cash salary plus deferred compensation. If a housing allowance is provided, the actual amount should be used."

**NOTE 1:** Any **bonus or gifts** from the employer must be included in the **effective salary**, as well.

**NOTE 2:** The Committee on Ministry strongly recommends that **allowances** be treated as **reimbursable expenses**, vouchered on a monthly basis, and that they not be included as part of the effective salary. They may not be included in the minimum salary approved by the Presbytery of Chicago.

**E. PENSION, DEATH, DISABILITY AND MAJOR MEDICAL BENEFITS DUES**

Pension/medical benefits dues are required to be paid monthly for all clergy members of PC(USA) at a percentage of the effective salary that is set each year by the Board of Pensions. For 2009 the percentage is 31.5% -- 12% for Pension, Death and Disability Benefits and 19.5% for Major Medical Benefits. Dues are calculated on the member's total effective salary OR on the minimum participation basis, whichever is larger. For full-time calls within the Presbytery of Chicago for 2009, the effective salary is the larger figure, and thus the simple formula is 31.5% times the effective salary. Minimum participation amounts, which will be required for some part-time positions, are based on a percentage of the church-wide median salary, which is \$50,800 for 2009.

These amounts are calculated as follows:

The minimum amount for participation in the PENSION, DEATH AND DISABILITY PLAN is based on 25% of the church-wide median (\$50,800 for 2009), or \$12,700. To calculate the amount of dues owed, multiply 12% by the greater of either the effective salary or \$12,700. The minimum amount due is \$1524.

The minimum amount for participation in the MAJOR MEDICAL PLAN is based on **65%** of the church-wide median (\$50,800 for 2009), or \$33,020. To calculate the amount of dues owed, multiply 19.5% by the greater of either the effective salary or \$33,020. The minimum amount due is \$6,439.

**EXAMPLES OF PENSION/MEDICAL BENEFITS DUES CALCULATIONS BASED ON PRESBYTERY MINIMUM:**

<b><u>Full time:</u></b>		
Salary/housing	\$41,797	
Pension dues (\$41,797 x .12)	5,016	
Medical dues (\$41,797 x .19.5)	8,150	
<b>Total minimum <u>including \$600 education allowance</u> for full time:</b>		<b>\$55,563</b>

<b><u>Half-time:</u></b>		
Salary/housing(1/2 of \$41,797)	\$20,899	
Pension dues (\$20,899 x .12)	2,508	
Medical dues (\$33,020 x .19.5)	6,439	
<b>Total minimum <u>including \$600 education allowance</u> for half time:</b>		<b>\$30,446</b>

<b><u>One-Quarter time:</u></b>		
Salary/housing(1/4 of \$41,797)	\$10,450	
Pension dues (\$10,450 x .12)	1,254	
Medical dues (\$33,020 x .19.5)	6,439	
<b>Total minimum <u>including \$600 education allowance</u> for one-fourth time:</b>		<b>\$18,743</b>

**MAXIMUM AMOUNTS ON WHICH DUES ARE BASED:**

For Medical coverage, the maximum amount on which dues are based is 200% of median salary (\$50,800) or \$101,600. Maximum dues for medical coverage would then be 19.5% of \$101,600, or \$19,812.

For pension, death and disability coverage, the maximum amount on which dues are based is set by the IRS at \$200,000. Maximum pension, death and disability dues would then be 12% of \$200,000, or \$24,000.

Pastors and churches must understand that late payments could result in loss of benefits to the pastor.

**F. REIMBURSABLE EXPENSES**

Because circumstances vary from church to church, the Committee on Ministry makes no recommendation of specific amounts for professional expenses such as auto or other allowances, except for the minimum study allowance. In its annual review of terms of call, each particular church should discuss these matters with its pastor(s). It is expected that automobile expenses will be reimbursed at the rate approved each year by the IRS.

As stated above, the Committee on Ministry **strongly recommends that professional expenses incurred by a pastor be compensated on a reimbursable basis.** Records of all professional expenses should be kept and submitted to the church treasurer for reimbursement on a regular basis. Unless such a method is employed, the pastor either may not recover total expenses incurred, or may be required to pay taxes on additional income. It is important to check with the Committee on Ministry or a tax consultant for the current year's tax rulings.

The minimum continuing education allowance is \$600 per year. It is recommended that this may be accumulated with the concurrence of the session and pastor(s). A church may have good reason to increase the education allowance for its pastor(s) if there are identified needs of the congregation that require more education than the minimum provides.

**G. OTHER TERMS OF CALL**

**Minimum vacation is four weeks. At least four full weeks including Sundays must be allowed for all calls, part-time as well as full-time.** It is acceptable for churches to include additional days to complete a full month or more of vacation for the pastor(s). However, for terms of call, vacation will be expressed in weeks or days.

The **minimum leave for continuing education** is two **full weeks per year** for all calls, **part-time as well as full-time.** It is recommended that this leave time may be accumulated with the concurrence of the session and pastor(s).

**It is recommended that a provision for SABBATICAL LEAVE be considered after several years of continuing service by a pastor.** Information is available from the Presbytery Office.

**H. SALARY CHANGES**

The Committee on Ministry notes that in reviewing the Board of Pensions Payment Report for plan members there appears to be a lag in reporting some salary changes. Such a situation could impact negatively on members' or survivors' benefits. All members should review their annual statement of benefits to determine if their effective salary as recorded on the statement is correct. If the information needs to be reconciled, the member should contact the Board's toll free number, 1-800-773-7752 and request a **Member Confirmation Form**. The Plan member and persons authorized to make financial commitments must complete, sign and send the Member Confirmation Form back to the Board. The Board then makes changes to the member's records and sends an adjusted invoice at the beginning of the next billing cycle.

The Committee on Ministry will be glad to discuss any of the above items with pastors or appropriate church officers. Please call the Rev. William "Mike" Youngblood, Moderator of the Committee on Ministry (847) 869-9210x228, or the Rev. Ginny Smith, Associate Executive for Ministry at (312) 243-8300x1318 for information. A recommended guide for clergy and church treasurers is: Church and Clergy Tax Guide, by Richard R. Hammer, Christian Ministry Resources, PO Box 2301, Matthews, NC 28106. This guide is updated annually.