

**GUIDELINES FOR PARTICULAR BENEFITS  
FOR MINISTER-MEMBERS  
AND CERTIFIED CHRISTIAN EDUCATORS**

**COMMITTEE ON MINISTRY  
THE PRESBYTERY OF NEW COVENANT**

**MEDICAL REIMBURSEMENT (Cafeteria 125 plans)**

Because the Major Medical Plan of the Board of Pensions does not fully reimburse a minister/educator for medical expenses, many churches have established a medical reimbursement fund upon which the professionals 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.

**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 Presbytery of New Covenant Personnel Policies if they care to see a sample policy in this regard.

**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, unless the termination is caused by illness. In the latter case the session and congregation are encouraged to work with the minister and Board of Pensions to accommodate the criteria for disability status.

**DISABILITY BENEFITS**

If a minister/educator remains disabled by illness or injury after exhausting all accumulated paid sick leave benefits, the minister/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](http://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 minister/educator's compensation for the first 90 days of disability. This should include pay for unused sick leave.
3. Refer to the state's disability statutes to ensure compliance.

4. For current information on disability benefits, contact the Board of Pensions area representative.

### **TRAVEL AND AUTO COSTS**

A minister/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 minister 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.

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.

### **VACATION**

1. A vacation with pay is provided for all minister/educators. It is a necessary time of rest, refreshment, and relaxation for health and work performance.
2. For contract ministers and certified educators, vacation should be prorated in the first calendar year of service, as well as the last year.
3. For installed ministers, vacation is banked at the start-up of the ministry for use at times agreed upon by the minister and session. Vacation is prorated for the last year of service.
4. It is the responsibility of the Personnel Committee and the minister/educator to see that vacation time is used annually in order to have an effective ministry.
5. Vacation is to be kept separate from study leave, attendance at conferences, or weekly days off and sabbatical leave.
6. Ministers/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.
7. Ministers/educators in The Presbytery of New Covenant 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.
8. The church shall be financially responsible for coverage of all pastoral functions including preaching.
9. 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 minister 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.
10. It sometimes happens that churches, no matter how much they may regret it, are only able to compensate their pastors at the minimum terms of call. In such cases, they may wish to acknowledge that and show their appreciation by offering an additional Sunday or two away from the pulpit, or additional days away for study or spiritual reflection, which are above and beyond professional development or vacation time.

## **WEEKLY TIME OFF**

1. Ministers/educators are expected to take at least one full, uninterrupted day off each week.
2. When there has been an unusually heavy week, ministers/educators are encouraged to take an extra day off during the next week to compensate. This is not considered vacation day.
3. It is the responsibility of the minister/educator and personnel committee/team of session to communicate clearly about this kind of arrangement.
4. The Committee on Ministry of the presbytery considers a normal pastoral week to be 40-50 hours.

## **HOLIDAYS**

1. The following are recommended as 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 minister 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 minister/educator's day off, it may be observed either the day before or the day following.

### **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 at the current IRS rate, in addition to a minimum honorarium of \$150.00 for one service, \$200 for two.

### **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. When received, however, this compensation must be reported as income for tax purposes.

### **SAVINGS PLANS AND ANNUITIES**

The local church and minister/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." Ministers 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 minister/educator.

### **WORKER'S COMPENSATION**

Consult state regulations regarding requirements in this regard.

## **GUIDELINES FOR EQUITY ALLOWANCES**

### **PROPOSED: TO CHURCHES AND MINISTERS INTERESTED IN THIS OPTION OF AN ADDITIONAL BENEFIT:**

Home equity is not a reality for many ministers who have spent their careers living in church manses, unless a minister's Terms of Call includes an Equity Allowance. These Guidelines provide one approach for a minister living in manse will contribute toward sufficient resources whereby the minister may be able to own a home (not necessarily in this area) after 40 years of service.

**Here follows some guidelines that are intended to assist churches and ministers to incorporate this option for Terms of Call.**

1. It is the responsibility of the particular church to ensure that the terms of call support the minister in providing for retirement home ownership. Although the presbytery compensation policy sets the minimum effective salary for ministers, this responsibility extends to ministers whose effective salary exceeds the minimum required by presbytery policy.
2. In most cases, this requirement is satisfied either by: (a) providing a housing allowance so the minister can purchase a home in which to live during his or her current call; or (b) by paying an equity allowance to **a minister who is living in a manse or renting a home.** The minimum equity allowance should be at least the amount specified in the presbytery compensation policy, but it may be larger. Any equity allowance is included as part of the minister's effective salary.
3. In some cases, the minister may have an existing long term plan for retirement home ownership other than one of the means included in paragraph 2, above. The terms of call should be tailored to support such an alternative plan in a way that does not disadvantage the minister financially. The Committee on Ministry is available to assist in this process.

**How to pay an equity allowance.** In general, the equity allowance should go into a tax-advantaged investment account for the benefit of the minister. The Presbytery of New Covenant cannot provide specific advice on how to set up such accounts, but can suggest alternatives that churches may wish to consider. The most common alternatives are:

1. Establish a 403(b)(9) account. This account functions much like a 401(k) account, but is designed specifically for churches. The minister owns the account, and either owner or the church can make contributions to it. The tax-free contributions remain and grow free of tax in the account until withdrawn. Like a 401(k) account, there are rules governing the timing and minimum size of withdrawals and penalties apply if the rules are not observed. The Board of Pensions is a good source of information for setting up such an account.
2. A church may set up an investment account in its name, but for the benefit of the minister. Contributions are made to this account and, as long as the church remains the owner, are not taxable. The account can be retained by the church after a minister leaves to accept a new call, or it can be transferred tax-free to a church to which the minister has moved. The account can be transferred to the minister at any time without penalty for early withdrawal, but the full amount in the account is taxed at that time. The Presbyterian Foundation can explain in more detail how these accounts operate. Note that in either of the above options, the equity allowance must be reported to the Board of Pensions as part of the effective salary, and so the Board of Pensions contribution must be paid on them. Starting in 2008, however, matching contributions to a 403(b)(9) plan were no longer included in effective salary.
3. An established calculation for an equitable contribution toward the equity allowance is for the church to (a) place funds in a separate fund (deferred equity

allowance, 403b, etc.) an amount of 1/40<sup>th</sup> of the "median house cost" or (b) pay the minister additional salary if the minister 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>.

**OR...**

3. The pastor and the Session are encouraged to arrange as an increase to the pay (if one is not already established) a tax-sheltered annuity into which at least \$2,000 (or 10 percent of cash salary) can be deposited annually to provide equity toward housing costs upon retirement. (This is especially critical if your pastor is within fifteen years of retirement.) This tax-deferred compensation must be included in calculating benefits dues to the Board of Pensions (PCUSA).

**Approved by COM 11/3/09**