

2010 MINIMUM COMPENSATION STANDARDS FOR MINISTERS⁽¹⁾
THE PRESBYTERY OF NEW HOPE

With Manse

1.	Annual Cash Salary + Utilities Allowance + Taxable Medical Supplement+Deferred Income+ Unvouchered Allowances + Other Applicable Income.....	\$25,546
2.	Manse Value ⁽²⁾ (Manse value is based upon a minimum of 30% of the total effective salary: Annual cash salary + Utilities Allowance + Taxable Medical Supplement + Deferred Income+ Unvouchered Allowances + Other Applicable Income.)	7,654
3.	Social Security Offset..... (7.65% of all effective salary ⁽³⁾ including manse value, utilities allowance, taxable medical supplement, deferred income, unvouchered allowance, and other applicable income)	2,596
4.	Shared Housing Equity.....	730
5.	Board of Pensions Benefits Plan..... (Computed on the basis of effective salary at the following rate: Medical: \$33,930 * 19.5%= \$6,616 + Pension: \$33,930 * 12%= \$4,072 (Refer to instructions for minimum and maximum dues information)	10,688
6.	Accountable Reimbursement Plan (ARP).....	3,000
7.	Vacation.....	four weeks
8.	Continuing Education.....	<u>two weeks</u>
	Total	50,214

Without Manse

1.	Annual Cash Salary + Housing ⁽²⁾ + Taxable Medical Supplement+Deferred Income+ Unvouchered Allowances + Other Applicable Income ⁽²⁾ (The amount designated for the housing allowance may not exceed the fair rental value of the home plus furnishings and utilities.)	\$33,930
2.	Social Security Offset..... (7.65% of all effective salary ⁽³⁾ including housing, utilities allowance, taxable medical supplement, deferred income, unvouchered allowance, and other applicable income)	2,596
3.	Board of Pensions Benefits Plan..... (Computed on the basis of effective salary at the following rate: Medical: \$33,930 * 19.5%= \$6,616 + Pension: \$33,930 * 12%= \$4,072 (Refer to instructions for minimum and maximum dues information)	10,688
4.	Accountable Reimbursement Plan (ARP).....	3,000
5.	Vacation.....	four weeks
6.	Continuing Education.....	<u>two weeks</u>
	Total	50,214

(1) **Minimum Compensation Standards for Ministers-** Minimum compensation is the minimum amount that a starting pastor should receive and does not take into account the pastor's education, experience, proficiency, abilities or needs beyond those required for ordination. G-14.0507e.

Extended Study (Sabbatical) Leave- it is recommended that churches give pastors and educators who have completed five years of credited service at his/her current church or field a maximum of four months extended study leave. This leave may be taken in conjunction with earned vacation leave but may not be combined with annual study leave. A detailed description of this policy may be obtained at the presbytery's web site <http://www.nhpresbytery.org> in the Forms and Publications section

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Definition of Terms and Instructions for Calculating Benefits

Annual Cash Salary + Utilities Allowance + Taxable Medical Supplement+Deferred Income+ Unvouchered Allowances + Other Applicable Income- includes cash salary, utilities allowance, all employee elected pre-tax reductions to cash salary such as a tax deferred annuity (403-b plan), flexible spending account for health care expenses, flexible spending account for child care expenses, and other applicable income which includes all compensation that can be considered as effective salary⁽³⁾.

PLEASE NOTE: The utilities may be provided in the following ways: (1) the church can elect to maintain the utilities in the church's name and pay the utilities expense directly to the utility company. (2) the church can provide a utilities allowance paid directly to the minister.

Churches that maintain the utilities in the church's name and pay the utilities directly are not required by the Board of Pensions to include the utilities in the Board of Pensions' Effective Salary for the calculation of pension dues, the calculation of social security, and the calculation of manse value. If the church provides a utilities allowance paid directly to the minister, the allowance has to be included in Board of Pensions' Effective Salary⁽³⁾ for the calculation of pension dues, the calculation of social security, and the calculation of manse value.)

Housing Allowance- The housing allowance may not exceed the fair rental value of the home plus furnishings and utilities. (*Please note-* This guideline reflects new tax legislation, effective January 1, 2002, that replaced existing tax legislation that allowed clergy to claim a non-taxable housing exclusion equal to the actual housing expenses incurred in a calendar year.)

Manse- The use of the manse is provided to the minister. *The value of the manse needs to be determined in order to calculate the social security and the Board of Pensions dues and must equal at least 30% of the total of the total effective salary⁽³⁾.* Effective salary includes cash salary, utilities allowance (if paid directly to minister), all employee elected pre-tax reductions to cash salary such as a tax deferred annuity (403-b plan), flexible spending account for health care expenses, flexible spending account for child care expenses, and other applicable income which includes all compensation that can be considered as effective salary.

Shared Housing Equity- the purpose of a shared housing equity is to compensate ministers living in a manse for the loss in equity appreciation they would otherwise realize as homeowners.

Social Security- the purpose of the Social Security allowance is to provide ministers with one-half of their self-employment tax. The Social Security allowance is based upon 7.65% of effective salary⁽³⁾ which normally includes: cash salary, utilities allowance (if paid directly to minister), all employee elected pre-tax reductions to cash salary such as a tax deferred annuity (403-b plan), flexible spending account for health care expenses, flexible spending account for child care expenses, and other applicable income which includes all compensation that can be considered as effective salary⁽³⁾.

Please note, if a minister is not participating in the Social Security Program, the church is not responsible for including the Social Security Offset in the pastor's compensation package.

Board of Pensions Benefits Plan- the Board of Pensions plan provides ministers with retirement, medical, and death and disability coverage. Board of Pensions dues are calculated based upon the Board of Pensions rate of 31.5% times the Effective Salary⁽³⁾. The rate for ministers engaged in post-retirement service is 12%. Compensation *included* in effective salary includes cash salary, utilities allowance (if paid directly to minister), all employee elected pre-tax reductions to cash salary such as a tax deferred annuity (403-b plan), flexible spending account for health care expenses, flexible spending account for child care expenses, and other applicable income which includes all compensation that can be considered as effective salary.⁽³⁾ Compensation *not included* in effective salary⁽³⁾ include the cost of utility service maintained in the church's name and paid for directly by the church, Social Security, and the Accountable Reimbursement Plan. Complete dues information can be found at:

<http://www.pensions.org> *Please refer to dues calculations on the following page.*

Please note- dues are calculated as follows:

2010 Dues Information
Effective January 1, medical dues for members working 35 hours per week or more will be calculated upon 19.5% of the greater of the minister's effective salary or \$33,930 . For members working less than 35 hours per week, medical dues of 19.5% will be calculated upon the greater of the equivalent full-time effective salary or the minimum participation basis of \$33,930 . Please note: Retired ministers engaged in post-retirement service do not pay medical dues.
<i>Equivalent Full-Time Effective Salary</i> is calculated as follows: 1. multiply the annual salary by 35. 2. divide the result by the hours worked per week
Medical dues are capped at 19.5% of \$104,400 .
Pension dues are calculated upon 12% of the minister's effective salary or \$13,050 , whichever is greater. <i>This rule also applies to ministers engaged in post-retirement service.</i>
Pension dues are capped at 12% of \$245,000 for 2009. The cap has not been determined for 2010.

Accountable Reimbursement Plan- The ARP includes such professional expenses as travel, continuing education, parking, tolls, professional books/journals, dues to professional organizations, business meals, purchase and maintenance of clerical garments. All expenditures charged through the ARP need to be mutually agreed upon by the minister and the search committee/Session at the time of the Call/Change in Terms of Call. It is recommended that the church draft an agreement outlining the types of expenses to be included in the Accountable Reimbursement Plan. . (A sample ARP can be obtained from the Presbytery's website- <http://www.nhpresbytery.org/pdf/Arp.pdf>.)
Please note- All professional expenses including travel and continuing education should be reported on the Call as a part of the Accountable Reimbursement Plan. *IRS Standard Mileage Rate effective 0/01/10 is 50 cents per mile.*

Paid Vacation Leave- paid vacation is provided to the minister. The minimum compensation standards call for four weeks.

Paid Continuing Education Leave- paid continuing education leave is provided to the minister. The minimum compensation standards call for two weeks.

Other Benefits not Specifically Noted in the Minimum Compensation Standards may include other income and vouchered / unvouchered expenses which may be included in the effective salary⁽³⁾ calculation.

(2) Additional Housing Notes:

- (a) Designation of a housing allowance should be done annually in advance of the calendar year or as soon into the calendar year as possible and should appear in the Session minutes.
- (b) Changes in the housing allowance involve a change in the Terms of Call and must be approved by the congregation as well as the Presbytery.
- (c) The housing allowance may be amended at any time during the year. All changes operate prospectively. Retroactive inclusions of housing-related expenses are not allowed.
- (d) A minister must report the housing allowance that is not used for housing related expenses during the calendar year as taxable income.
- (e) A minister that is provided with a manse may exclude the "fair rental value" of the manse from state and federal income taxes.

- (f) Churches should not include the housing allowance or the “fair rental value” of the manse when reporting a minister’s taxable income on the W-2.
- (g) Ministers must include the housing allowance or the “fair rental value” of the manse when calculating self-employment taxes.

⁽³⁾**Effective Salary** is any compensation paid to an employee by the employing organization that is subject to Board of Pensions dues. The more common examples of compensation are listed below. For a complete listing you may visit the Board of Pensions website at <http://www.pensions.org/library/publications/publications/pln-103.pdf> and view a copy of the *Understanding Effective Salary* booklet.

Are the following types of compensation included in effective salary?

Form of Payment	Yes	No
Annual Cash Salary	Full amount of cash salary	
Book Allowance	Paid through a <i>non-accountable reimbursement plan</i>	Paid through an <i>accountable reimbursement plan</i>
Bonuses	Adjustments to the effective salary are made when bonuses are paid to the employee	
Car Allowance	Paid through a <i>non-accountable reimbursement plan</i>	Paid through an <i>accountable reimbursement plan</i>
Co-Insurance Payments and Deductible Reimbursements	Co-insurance and deductible payments are made through a flexible spending account.	Co-insurance and deductible amounts are paid or reimbursed as part of an employing organization group coverage.
Continuing Education	Paid through a <i>non-accountable reimbursement plan</i>	Paid through an <i>accountable reimbursement plan</i>
Deferred Compensation	Voluntary deductions for 403(b) and other types of annuity arrangements	
Housing Allowance	Allowances given for housing-related expenses and appurtenances	
Insurance Premiums	Premiums for <i>individual policies</i> and <i>optional benefits</i> under the Board of Pensions Plan	Group coverage provided by an employing organization, including the Board of Pensions plan
Manse Value	Manse value calculated at a rate of at least 30% of all other compensation included in effective salary	
Social Security Reimbursement	Social security reimbursements for <i>more than 50%</i> of the social security obligation	Social security reimbursements for <i>50% or less</i> of the social security obligation
Shared Housing Equity	Compensates ministers living in a manse for the loss in equity appreciation they would otherwise realize as homeowners.	
Tax Deferred Annuity	Pre-tax contribution by the employee to a 403(b) or other tax deferred account	
Utilities Allowance	Utility allowance is paid directly to the minister	Utilities are maintained in the name of the church and paid directly by the church