

# **PERSONNEL POLICIES FOR CLERGY**

## **PRESBYTERY OF LOS RANCHOS**

These policies have been developed as a means of providing for the Sessions of the Los Ranchos Presbytery, a uniform set of personnel policies to guide them in their relationships with their pastors.

The policies were developed at the request of the Committee on Ministry by a special task force of five Elders, representing various churches in the Presbytery, and one clergy advisor, representing the Committee on Ministry.

In the policies we have used the term "pastor" to include all pastors and associate pastors.

**WHERE THE TERMS "SHALL" OR "WILL" APPEAR, THIS SHALL BE SEEN AS PRESBYTERY POLICY.**

*WHERE THE TERM "MAY" APPEARS,, THIS SHALL BE SEEN AS SUGGESTIVE ONLY.*

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PERSONNEL POLICIES FOR CLERGY  
Presbytery of Los Ranchos

I. SALARY

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)

1. The church needs to recognize that the typical Presbyterian pastor graduating from seminary has completed training equivalent in other professional fields to a Master's Degree or a Doctor's Degree.
2. Many pastors come from seminary carrying heavy tuition indebtedness. Committees calling pastors should discuss with them the implication for repaying these loans and how that fits into proposed salaries.
3. Pastors typically work a minimum of fifty (50) hours per week. Some will work 60-70 hours per week. This is a heavy drain on time and energy, often taking the pastor away from critical family needs. Local churches must consider with their pastors the level of stress which may be placed upon the pastoral family resulting from inadequate salary levels.
4. Sessions must stress the importance of adequate stewardship by all members of the church to sustain a fair salary for the pastor. They should not make the pastor carry the burden of poor congregational stewardship.
5. Sessions of our Presbytery should recognize that the cost of housing in this presbytery is among the highest in the nation.
6. Pastors need to recognize their calls are calls of "servanthood to God" and not of financial gain. There is a balance which pastors and churches must maintain between what is needed for the pastor to work in the ministry of the church, and what the local church can support
7. Guidelines for Salary Levels
  - a. Each year the Presbytery establishes a minimum salary level for all full-time pastors. **NO SALARY SHALL BE BELOW THIS LEVEL.** For information on what this minimum level is, please call the Presbytery office. (714) 956-3691.
  - b. The Presbytery publishes annually the salary level of pastors within the Presbytery according to the size of the church. This is a helpful guide for

comparisons.

c. For those churches which have exhausted all other means to maintain the minimum salary level established by Presbytery, they may apply to the Executive Presbyter for aid from the Presbytery Supplement Samaritan Fund.

d. Part-time Clergy Compensation:

In accordance with California Labor Code, new requirements have been implemented effective January 2000. The code requires that any individual employed in a salaried part-time position must be paid a monthly salary equivalent to at least twice the minimum wage for full time employment; This minimum is not pro-rated for part-time work. (The required salary is set as a multiple of the minimum wage, so future increases in the state minimum wage will result in corresponding increases in the threshold salary.)

Therefore, if part-time clergy are compensated less than this minimum amount monthly, then they cannot be compensated on a salaried basis. They must be paid on an hourly basis and they must maintain a time sheet and be paid for actual hours worked.

#### 8. Tax Reporting Requirements

Our denomination considers the majority of our clergy to be employees for Federal Income Tax purposes, and as such, a W-2 should be issued. This does not mean that the clergy are employees for Social Security Tax purposes (see Section V, Social Security/Self-Employment Tax).

## II. HOUSING

### Important Considerations

1. The Personnel Committee needs to recognize that the housing costs in the Los Angeles and Orange County areas are among the highest in the nation, both for rental and purchase.
2. There is great value in having the pastor 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 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 any 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.
  - 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.
  - c. Expenses for maintaining a home (other than for costs of food) such as utilities, furnishings, repairs, cleaning services, 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.
  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 attractive, modern, well-arranged and large enough for the pastor's family needs. There should be a committee of the Session or Trustees to work with the pastor (and spouse) to see that the manse is well maintained.
    - a. If a manse is provided, the Personnel Committee shall think through some provision, such as an annuity, for the pastor to develop a savings plan to provide for housing when the pastor retires, there being no possibility of building equity in a manse.
    - b. If a manse is provided, the Board of Pensions requires an amount be added to effective salary for the calculation of dues. Contact the Board of Pensions for details at 1-800-PRESPLAN.

### III. RELOCATION ASSISTANCE

The Presbytery of Los Ranchos requires congregations to assist clergy with moving expenses.

The church will reimburse clergy for certain expenses. The reimbursement policies are based on IRS conditions for deductible expenses. The schedule of allowance and assistance is as follows:

#### 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. HOUSING ASSISTANCE

Pastors who are moving into the area may require assistance in the purchase of a home. Sessions may wish to consider entering into an agreement with the pastor for either second mortgages and/or swing loans. (short-term between closings of buying and selling escrows)

Such loans shall be given to the pastor upon approval of the Session **and the Presbytery Committee on Ministry** and are permitted only to the extent that the funds are necessary to complete the down payment required on a home or to supplement the primary mortgage. It is expected that the pastor will use all other means to provide financing before seeking such assistance.

Such loans are not transferable by the pastor and shall be payable in full if the pastor sells the home prior to the scheduled repayment date of the loans, or **within six months from the time of the dissolution** of the pastoral relationship. These loans must be interest bearing. If a church waives the interest due in any year, a taxable event occurs for the pastor. The amount of interest forgiven must be added to the pastor's salary and reported on the W2.

#### V. PROFESSIONAL COSTS

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

1. Attendance at Presbytery, Synod, General Assembly.
2. Attendance at professional conferences.
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.

VI. 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
  - c. Utilities and other Internal Revenue Service allowable expenses if paid separately from housing

3. Since the pastor is self-employed, the church cannot withhold Social Security tax from the pastor's compensation. Many churches do reimburse the pastor a percentage of the self-employment (Social Security) tax. If the pastor desires, the church may deduct an amount each pay day to be remitted to the pastor quarterly for payment of estimated taxes OR paid directly to the taxing agency as income tax withholding.

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.

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.

VII. PENSION-MAJOR MEDICAL

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).

The Session shall remit QUARTERLY 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)

Failure to make the required quarterly 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. The Presbytery office will have this information.

If the church pulpit is vacant due to the leaving 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%. Churches which are in arrears in vacancy dues or pension payments, will not be allowed to call an installed pastor.

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. Call the presbytery office for the name and phone number of the area representative.

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

VIII. MEDICAL REIMBURSEMENT

Because the Major Medical Plan of the Board of Pensions does not fully reimburse a pastor for medical expenses, many churches have established a medical reimbursement fund upon which the pastors and their families may draw each year. 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. Unused funds at the end of each year, or at the dissolution of the pastoral relationship, remain with the church.

IX. MATERNITY-PATERNITY LEAVE

In addition to other benefits, a pastor is entitled to a leave in the period immediately prior to and following the arrival (birth, adoption, or guardianship) of a child as follows:

1. The pastor(s) shall apply for the leave at least one month in advance of the expected arrival of the child, specifying the amount of time desired. The leave ordinarily should be unbroken, except for any period absence caused by medical problems.
2. If the pastor is female and the primary care-giver, the leave may be up to four (4) months. The leave may include a period of time in advance of the expected arrival and also a period of time following the arrival.

The first month of the leave will be at full pay. The remaining leave will be at seventy-five (75%) percent of the pastor's salary (cash salary, housing and utilities).

3. If the pastor is male and the secondary care-giver a leave may be granted upon approval of the Session of up to 30 days. The leave may include a period of time in advance of the expected arrival and also a period of time following the arrival.

Compensation for the leave will be at 100% of the pastor's salary (cash salary, housing and utilities).

4. Any approved leave beyond the employer's reimbursement period may be without pay.
5. Upon completion of the leave, the pastor will be entitled to return to their position. The position will not be filled during the leave except on a temporary basis.
6. Any salary increase action for which the pastor(s) may become eligible in the course of the leave will be effective upon return to employment.

X. SICK LEAVE

Pastors will receive twelve (12) working days of sick leave each calendar year cumulative up to 120 days to be used in case of illness.

**At the time of termination of employment a pastor shall have no claims for pay in lieu of unused sick leave.**

The certification of a medical doctor may be required for the payment of sick leave benefits.

XI. DISABILITY BENEFITS

If a pastor remains disabled by illness or injury after exhausting all accumulated paid sick leave benefits, the pastor 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.

Disability benefits equal 60% of the pastor's effective salary on the date disability began.

2. Churches are responsible for the pastor's compensation for the first 90 days of disability. This should include pay for unused sick leave.
3. Benefit coverage (except vacation and sick leave accrual) and service credit will continue during the entire leave, with the cost of benefits paid by the church.
4. Upon completion of the pastor's disability leave, the pastor will be entitled to return to the position. The position will not be filled during the leave except on a temporary basis.
5. Any salary increase action for which the pastor may become eligible in the course of the leave will be effective upon return to employment.
6. These disability benefits are designed to meet the requirements of state governments which have legislated such benefits. For current information on disability benefits, contact the Board of Pensions area representative.

#### XII. WORKER'S COMPENSATION

All pastors in all churches shall be covered by worker's compensation insurance, in accordance with the laws of the State of California, to provide for benefits in case of an on-the-job accident.

#### XIII. TRAVEL AND AUTO COSTS

A pastor'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 1099 or 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. For more information about accountable reimbursement plans, contact the Presbytery office.

#### XIV. PROFESSIONAL EVALUATION

Every pastor shall have an annual performance review with the Session's Personnel Committee. (A personnel committee shall consist of at least three members.)

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. Criticism should be constructive. It is to be remembered that people function better under proper encouragement.

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

Evaluation tools may be secured from the Presbytery office.

#### XV. STUDY LEAVE

A study leave of at least two weeks per year shall be provided for all full-time pastors 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 for the minimum study leave allowance.

The purpose of the study leave is to enhance the professional abilities of the pastor which shall be mutually beneficial to both the pastor 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 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 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's work during the absence.

#### XVI. EXTENDED SABBATICAL LEAVE

To enable pastors to give extended study to subjects which will contribute to the work of their church and to their own technical or professional development, an extended sabbatical leave with salary continuation only may be granted within the following guidelines:

1. Ordinarily, the Pastor 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 seven years must have elapsed since any previous extended sabbatical leave.
3. A written plan of study with identified goals must be approved by the Session in consultation with the Presbytery Committee on Ministry. This must be done long

enough in advance so that budget and staff needs will be met.

4. The maximum length of extended sabbatical leave will be four (4) months. It may be taken in conjunction with earned vacation within a particular year, but may not be combined with annual study leave since a pastor is not eligible for both types of leave within the same year.
5. The ongoing work of the particular church and its total functions will be primary factors in considering the granting of extended sabbatical leaves.
6. The local church may, but is not required to be financially responsible for the pastor's expenses of sabbatical leave.

#### XVII. VACATION

1. A vacation with pay is provided for all pastors. 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 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.
4. Pastors 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 in Los Ranchos Presbytery have as part of their Call one month of vacation. This is to be defined as thirty (30) calendar days, including their normal days off during the vacation period.
6. The church shall be financially responsible for coverage of all pastoral functions including preaching.
7. The pastor shall not be called back for parish duties during this vacation period.
8. Vacation time may be accumulated up to a maximum of 60 days with the written permission of the Session. Once a maximum of 60 days has been accrued, there will be no future accruals of vacation time until some is used. Under no circumstances will more than 60 days of vacation time be allowed to accrue. Unused vacation benefits are payable in full to the date of the dissolution of the call.

#### XVIII. WEEKLY TIME OFF

1. Pastors are expected to take at least one full, uninterrupted day off each week.
2. When there has been an unusually heavy week, pastors 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 fifty (50) hours.

XIX. HOLIDAYS

1. Holidays to be observed are:

New Year's Day  
Martin Luther King, Jr. Birthday  
President's Day  
Good Friday  
Memorial Day  
Independence Day  
Labor Day  
Thanksgiving Day and the following Friday  
Christmas Eve Day  
Christmas Day  
New Year's Eve Day

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

XX. 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 \$100.00.

XXI. FEES FOR BAPTISM, WEDDINGS AND FUNERALS/MEMORIAL SERVICES

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

XXII. SAVINGS PLANS AND ANNUITIES

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

There are various tax-sheltered plans and annuities which are available for such purposes. One specific 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."

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