

**SHENANDOAH PRESBYTERY**  
**SALARY GUIDELINES**  
**Effective January 1, 2008**  
**(No change for 2009)**  
**Revised XI December 2009**

**I. BASE SALARY** (See Book of Order G-14.0506)

A. Full-time Ministers in their First Pastorate

1. Effective January 1, 2008, the minimum annual base cash salary for full-time ministers in their first pastorate, where a manse is provided, be \$27,500.00.
2. Where a manse is not provided, the minimum annual base cash salary be \$32,500.00.
3. For a minister serving more than one church the base salary be increased by \$700.00 above these minimums.

B. Ministers Working Part-Time

1. Part-time, not retired, ministers' salary and allowances must be approved by the Committee on Ministry.
2. The suggested minimum monthly cash base salary for retired ministers working part-time should be \$700.00 - \$1,400.00, depending on the amount of time required to fulfill their responsibilities.

**II. SALARY ADJUSTMENTS**

The presbytery urges all churches to increase their ministers' salary/utility allowances by at least the current cost of living (C.O.L.) index.

A. Educational Adjustment

In recognition of the wide variety of educational qualifications among ministers and to encourage continuing education, presbytery recommends the following increases in base salary:

First degree above Master of Divinity, such as Master of Sacred Theology, Master of Theology, and Doctor of Ministry, 5% be added to base salary paid by the church.

Second degree above Master of Divinity, such as Doctor of Theology, or Doctor of Philosophy, a total of 10% be added to base salary paid by the church.

B. Experience Adjustment

As pastors become more experienced, they become more valuable to the congregation. Their expertise and proficiency enable them to accomplish more and carry a greater work load. An experience differential should be considered. Presbytery recommends an increase over the minimum base salary of 3% each year for the first five years of experience in the ministry.

C. Merit Increase

Presbytery urges all churches to consider an annual merit increase for ministers of at least 1% to 2% depending on the effectiveness in ministry and calculated on the minister's present base salary.

D. Cost of Living Adjustment

In their calls some churches have committed themselves annually to raise the salary of the minister by an amount equal to the Consumer Price Index. The Salary Committee is charged with reporting annually this Index for the year ending December 31.

### **III. HOUSING ALLOWANCES**

There are two allowances related to housing for which distinctions are necessary. The allowance normally referred to by church officers includes utilities where the manse is provided; where a manse is not provided this allowance includes either rent plus utilities or a "rental equivalent" for ministers owning homes. As defined by the Internal Revenue Service a "housing allowance," referred to here as IRSHA, includes fair rental value of both the house and its furnishings, utilities, annual purchases of furnishing, taxes, interest, etc., virtually every household expense except food and servants. Therefore, this IRSHA is applicable whether or not a manse is provided.

If the minister is to have the tax advantage by law, the IRS requires the Session designate, in its official minutes, a specific amount for the IRSHA - BEFORE THE MINISTER RECEIVES THE FUNDS; the part of the minister's compensation which is intended to provide housing must be specifically identified IN ADVANCE as the allowance. However, the minister is responsible for setting the amount and must be prepared to defend the amount deducted on the tax return as "fair" within the meaning of IRS regulations. Any amount by which the IRSHA exceeds the "fair" amount spent is taxable income. In setting the IRSHA, the Session is neither increasing salary or adding supplements to salary. It is only providing a necessary step if the minister is to pay a fair income tax.

The total on which the pension/insurance payment is based includes the equivalent rental value of a manse; the denomination defines this value as 30% of salary. For Social Security purposes ministers are encouraged to consult a competent tax counsel regarding the amount of manse value for computing the Social Security tax.

#### **A. Where a Manse is Provided**

Both the minister and the congregation should recognize that the free use of a manse includes keeping it insured, painted, and in a good state of repair. Utilities should either be provided directly, or the salary should be increased accordingly. If not contained in salary, the value of utilities is includable for reporting for Social Security purposes. To boost retirement pay of their pastor(s), some churches have elected to include the value of utilities in their payments to the annuity fund.

Presbytery reminds both ministers and Sessions that the IRSHA may contain the rental value of furnishings, annual purchases of furnishing, the cost of appurtenances and utilities, where the manse is provided. The IRSHA does NOT increase the salary paid. Should the IRS determine that the amount deducted is not "fair" by IRS regulations, the burden of defense is upon the minister, who requested it.

#### **B. Where a Manse is not Provided**

When the minister provides his/her own housing, the IRS limits the housing allowance to an amount equal to the fair value of the house furnished plus the cost of utilities. Presbytery recommends that where an allowance is provided in lieu of a manse, it be comparable to the rental rate in the community to meet the needs of the minister and his/her family.

### **IV. SHARED HOUSING EQUITY**

In recognition of the need to build an equity fund for retirement housing, presbytery requires in all new calls and encourages in all existing calls that an Equity Fund contribution at a minimum rate \$100/month for ministers required to live in manses. Details of the plan follow:

#### **A. Rationale**

Were a minister given an allowance with which to purchase a house instead of living in the manse, the inflation growth in equity of that property would ultimately benefit the minister. When a manse is provided, such growth in value of the manse ultimately benefits the church; and at retirement, the minister purchasing housing has acquired no equity to offset the inflationary rise in real estate.

#### **B. Payment**

An amount at least equal to the minimum, subject to annual adjustment by presbytery, shall be paid on a monthly or quarterly basis by the church treasurer to an account selected by the minister subject to approval of the Committee on Ministry.

C. Approved Accounts

The minister may invest his or her Equity Fund as he or she desires including, but not limited to, any one of the following: variable premium annuity contracts of insurance companies, or brokerage houses, individual retirement accounts (IRA) of banks, reputable brokerage houses and mutual funds, an existing mortgage on a home owned by the minister or other investment vehicles. Tax sheltering of these funds is encouraged, and ministers are encouraged to investigate salary reduction agreements and other methods of sheltering these funds from current taxation.

D. Administration

Presbytery shall not be involved in the administration of any equity fund. It shall be the sole responsibility of the minister to select the investment vehicle, which may be changed by him or her only at the beginning of each church fiscal year. Rollovers are permitted, but funds may not be withdrawn for any purpose other than the purchase of a home so long as the minister shall be required to live in the manse. A statement agreeing to this condition shall be signed by the minister and filed with presbytery as part of the form for Committee on Ministry approval of the account. Income produced by the Equity Fund, whether in cash, dividends or stock, shall be reinvested in that account.

Tax sheltering of these funds is encouraged, and ministers are encouraged to investigate salary reduction agreements and other methods of sheltering these funds from current taxation. Funds withdrawn prior to age 59½ for any purpose may be subject to immediate taxation at a substantial rate; and competent tax counsel should be consulted.

E. Termination

At all times the account is fully vested in the minister. In the event of early retirement, disability, death, or dismissal from office in the Presbyterian Church (U.S.A.), the above restriction on withdrawal is removed.

F. Committee on Ministry

The Committee's sole function shall be to assure that the account is a suitable one to fulfill its purpose as an equity escrow vehicle. The Committee's decision may be appealed to presbytery.

**V. CHURCH EXPENSES**

Presbytery recommends that all churches consider expenses for automobile, books and continuing education as church expenses on a reimbursable "Draw Account" basis and never part of compensation.

A. Automobile Expenses

Some churches pay directly all car expenses. Some furnish a car and provide a credit card for its expenses. Others pay a mileage rate.

The most equitable way for both the church and the minister may be for the church to own the car and pay directly all expenses relating to church travel.

Presbytery requires in all new calls and recommends in all existing calls that if the minister owns and maintains an automobile for the performance of professional duties, the church provide as a MINIMUM ALLOWANCE an amount equal to that permitted by IRS.

Record keeping on mileage is a matter between the minister and the church. If a flat sum is used, it should be reviewed annually.

B. Continuing Education and Books

Ministers need to keep growing spiritually and professionally to serve the growing needs of a congregation and other needs of the day. It is a wise session and congregation that sees this need and in consultation with the minister provides time and financial assistance for this.

Presbytery requires in all new calls and recommends in all existing calls that ministers be granted two weeks' study leave annually in addition to a month's vacation, with the provision that the minister, after consultation with and approval by the session, may accumulate this study leave for up to six weeks.

Presbytery also requires in all new calls and encourages in all existing calls a minimum of \$500 per year, which also may be accumulated over a period of up to three years, for literature, books, tuition, and other costs of continuing education.

C. Moving Expenses

Churches are responsible for moving expenses for minister's household and professional items to the field of each new call. It is a wise procedure for the pastor and representatives of the calling congregation to work together on moving arrangements.

**VI. VACATION**

For the health and vitality of the minister, presbytery requires that each call include a minimum of four weeks vacation each year.

**VII. INSURANCE**

Presbytery requires that all new calls provide every full-time minister and his/her family with Group Life and Major Medical Insurance, available from the Board of Pensions.

**VIII. PENSION FUND**

In all calls presbytery has made is obligatory that the churches pay a sum equal to the total requisite percent of the salary as fixed by the General Assembly for participation in its pension plan. For ministers providing their own housing, the current rate for participation in the pension plan is 12% of the total base salary including the housing allowance. For ministers living in manses the rate is 12% (computed on the total base salary plus 30% of the salary)

Additional annuity benefits accrue to the minister if the congregation includes in the participation basis "other payment made to or for the member (minister) - such as manse utilities allowance, automobile allowance, and the like." (Quotation is from the official plan.)

**IX. WHERE THE MINISTER BECOMES TOTALLY DISABLED OR DIES**

Presbytery requires (as of January 10, 2002) that churches include in their calls the stipulation that in the event of the minister's total disability or death, the congregation will provide salary for three months plus occupation of the manse or other suitable housing rent free for six months, or in the case where a manse is not provided, a sum equivalent to the minister's salary for three months and housing allowance for six months.

Thus both the church and the minister will know in advance precisely what provisions will be made in the event of such misfortune.

**X. ANNUAL REVIEW**

The Book of Order requires an annual review of "the adequacy of the compensation of the pastor or pastors" by the congregation "upon prior review by the session." (G-7.0302 and G-10.0102m)

Presbytery recommends that the following factors be considered in determining equitable compensation: performance, continuing education, experience, size of congregation served, number of employees supervised, the complexity of the local program, any special needs and exceptional expenses.

Presbytery recommends that this review include the covenant between the church and the pastor(s).

All changes in the terms of call shall be recorded on the form provided by presbytery and along with a copy of the new covenant be forwarded to the Committee on Ministry.

## **XI. HONORARIUM**

In addition to the IRS allowance for mileage reimbursement, Presbytery recommends that an honorarium for a worship service should be a minimum of \$50.00 for churches under 100 members. If the pastor supplies a yoked congregation and/or chapel on the same Sunday, then a minimum of \$25.00 should be paid for each additional service. In the case of multiple services within a yoked field, normally the larger member church will pay the highest amount to the supply pastor. Churches of 100 or more members are encouraged to give an honorarium of \$100.00 minimum and \$75 minimum for each additional service