



Terms of Call for 2022

The Connecting Our Ministry Commission (COM) recommends the following actions on terms of call for the year 2022:

Background and Context for Recommended Actions

The Covid-19 pandemic has impacted both the economy and church ministry, making budgeting for personnel costs in 2022 increasingly complex. The Connecting our Ministries Commission recognizes that our sessions value justice for pastoral compensation and also seek justice for congregational finances. Because compensation for staff is a major part of a congregation's budget, these values can collide with one another. Based on economic forecasts, it is possible that the Cost of Living Increase (COLA) for Social Security could be as high as 5-6% for 2022. This article provides some additional information:

<https://www.aarp.org/retirement/social-security/info-2021/cola-2022-increase-forecast.html>

This COLA is often used as a benchmark for anticipating an appropriate cost of living increase. COM also recognizes that sessions face a challenging environment in terms of budgeting. For some congregations, offerings have held steady or increased in the past year. For many of our congregations, overall worship attendance has been difficult to measure, and overall congregational engagement seems to have declined. Based on this challenging environment, COM came up with the recommendations below that seek to acknowledge both the need for pastors to be compensated justly and for congregations to be able to financial support their ministries.

Effective Salary for 2022

- **A mandated 2% increase in the minimum effective salary, along with a recommendation that the increase be 3%.** Based on this, for pastors with salary & housing allowance (**not in a manse**), the 2022 minimum effective salary is \$58,044. The recommendation is that the effective salary be at least \$58,613. The Social Security offset is paid upon this amount, as well as Board of Pension dues in installed positions, and retirement/medical contributions for those in covenant positions. Housing costs are a major factor in determining living costs. COM recommends substantive conversation about housing costs in the particular location of the congregation and what is financially necessary for housing. There are also other ways to show appreciation for pastoral work – including year end bonuses (these must be reported to the Board of Pensions), increasing vacation time and continuing education time, and supporting continuing education costs for the pastor.

For pastors who live in a church-owned manse, the Board of Pensions requires that the manse value be at least 30% of total Effective Salary. The manse value is used in calculating Board of Pension dues for those in installed positions. The Social Security offset is paid upon this amount, as well as Board

of Pension dues in installed positions, and retirement/medical contributions for those in contracted positions.

- **A recommended 2-3% increase in effective salary for those above minimum.** COM recommends that congregations, if able, raise effective salaries at least 2-3% to reflect increases in the cost of living. COM recognizes that the COVID-19 pandemic has made financial projections challenging for congregations. They also recognize that the cost of living has increased in 2021 and encourage congregations to work with pastors for sustainable compensation. See above for suggestions from COM about additional ways to compensate pastors.

Benefits for 2022

- **Please see the 2022 Annual Review of Compensation forms** on the Presbytery website for the details on all aspects on compensation (available in Mid-October). Board of Pension dues may be calculated once the amount of Effective Salary is determined. Board of Pensions dues for 2022 for installed pastor will remain at 37% of Effective Salary. This is called the “Pastor’s Plan” by the Board of Pensions. Medical Dues remain at 27% (increased from 25% in 2020). Pension Dues remain at 8.5% (reduced from 11% in 2020). Death and Disability Dues remain at 1%. Temporary Disability (new in 2021) is 0.5%. The total remains at 37% of Effective Salary. (As a reminder: There is no longer a difference between single and family medical coverage).

The specific amount determined to be salary will be different based upon whether this is an installed position in the Pastor’s Plan, or a covenant position with benefit allowances or Minister’s Choice, and whether or not there is a manse. Each Terms of Call Annual Review form is individualized for the specifics of each pastoral position.

- **For Pastors in a Covenant (Temporary Pastoral Relationship)** the minimum required medical contribution is 10% of Effective Salary, the required retirement contribution at 10%. Death and Disability Insurance is also required (it may be purchased from the Board of Pensions at 1% of Effective Salary for those participating in either Medical or Retirement, at 2.5% for those who do not participate, or from a private insurance company). If the pastor does not need medical reimbursement, then that amount may be applied to retirement savings. For those in a less than half-time position, benefits are encouraged but not required. Because of the flexibility available in Covenant positions, COM approves these individually, based upon conversations with the pastor and session. See Varieties of Pastoral Positions in the Presbytery of Donegal on the Presbytery’s website for details.

https://01fac7b6250d493d1127-d8590c8a28c33460e15368faedce8b94.ssl.cf2.rackcdn.com/uploaded/v/0e11347414_1609264164_varieties-of-pastoral-postions-in-the-presbytery-of-donegal.pdf

The Board of Pensions introduced a new program, called “Minister’s Choice,” in 2020. Its cost is 10% of Effective Salary, and it includes the Pension Plan, the Death and Disability Plan, and the Temporary Disability Plan (as well as access to assistance and education programs available in Pastor’s Participation). COM encourages congregations to consider Minister’s Choice for covenant positions.

COM will consider any conflicts between Minister’s Choice and the Presbytery of Donegal’s policy on a case by case basis.

- For all pastors whose **compensation is at Presbytery minimum, COM highly recommends a Longevity Step Increase** in Effective Salary each year. Specific amounts would depend upon experience, and the compensation ability of the congregation. COM is available to help with this conversation.
- **Mileage reimbursement** is at the IRS standard mileage rate. Sessions should budget this expense based upon expected mileage. If expenses for mileage and travel authorized by the session exceed the budgeted amount, submitted expenses must continue to be paid. The use of an “accountable” reimbursement arrangement is recommended for tax purposes. This requires that business miles are substantiated with adequate records at least every 60 days at the IRS approved rate. Following other reimbursement arrangements potentially makes the payment taxable income to the recipient.
- **Continuing Education:** a minimum of \$1,000 and a minimum of 2 weeks (defined as fourteen days, including 2 Sundays.) Both the time and Con Ed allowance are cumulative for three years and must be documented in the minutes by the session. This figure is not taxable to the minister and not part of Effective Salary for Board of Pension purposes. In 2002, the Continuing Education minimum was increased from \$550 to \$600. In 2006, the minimum was increased to \$750. It has not been increased since then, even as costs for attending events have increased.
- **Vacation:** A minimum of one month (defined as thirty days, including four Sundays. The session is free to define one month as thirty-one days.)
- **Technology Expenses:** Sessions have two choices for technology access for pastors. They may provide cellphone and internet access as part of the church expense budget. Otherwise, a Technology Allowance of a minimum of \$600 annually is required if the session expects to be able to contact the pastor electronically (via email or cell phone) when the pastor is not in the church office. This allowance may be used for mobile phone expenses, internet service expenses or a combination of both, and is generally paid on a pro-rated monthly basis.

Questions? We know these calculations are increasingly complex. In many cases determining salary is different for IRS and Board of Pension purposes. Please contact the Stated Clerk or the Executive Presbyter for any questions related to calculating terms of call.