Guidance for Churches Preparing Terms of Service
For PCUSA Ordained Temporary Pastors

Pastors in Temporary Service can take on many forms: Interim, Transitional, Stated Supply, etc. The similarity with these positions is that they are not "Called and Installed" pastor positions. All of these positions are hired by the Session of a church on no more than a yearly basis for either full time or part-time service.

Compensation for pastors in Temporary Service are defined in a "Terms of Service" document. The Committee on Ministry of the Presbytery of South Louisiana has established the "Terms of Service for PCUSA Ordained Temporary Pastors (TOS-OTP)" form to help churches define compensation for their pastor in temporary service. The following is intended as a guide for churches using this form.

Note that the TOS-OTP form is for pastors ordained in PCUSA and hired for temporary service. If the person you are filling this form out for is a Commissioned Ruling Elder (CRE) or someone ordained in a denomination other than PCUSA, use the TOS-CRE+ form and its guidance document.

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Basics

It is important to determine the specific service your church is hiring this pastor for and the hours per week that they are expected to work. This is particularly critical for a pastor working part-time. Part-time pastors are generally expected to provide for weekly worship services and moderating of the session, but what about visitation, office hours, committee support, etc.? These expectations should be defined along with the compensation terms. Your COM Liaison can provide you with a "Non-installed Pastor Agreement" or an "Interim Pastor Agreement" to help define expectations. If you are hiring a pastor for part-time, what exactly is your session and congregation agreeing will not be done?

Check the box for the type of Temporary Pastor you are hiring:

- Interim – an Interim Pastor is hired to help a congregation through the process of preparing for a new pastor. The Interim process is a very specific process that the Interim Pastor has taken training for to lead a congregation through its change. An Interim Pastor is not just someone in as a placeholder until a new pastor is called.
- Transitional – a transitional pastor is hired to fill in between stages in the life a congregation. Often this is when an Interim has completed their work, a Pastor Nominating Committee (PNC) is in nearing the end of their search, or the new pastor is coming in a few months. Alternatively, a transitional pastor may be hired when a church is trying to decide if they will seek an installed pastor or not.
- Stated Supply – Stated Supply pastors are most often hired as part-time when a congregation has determined that they will not bring in an Installed Pastor.

Honorably Retired - If the temporary pastor you are hiring is Honorably Retired, check the "Yes" box. This will help determine the appropriate benefits expectations of the Board of Pensions.

Length of this Term – Enter the length of the term that this pastor is being hired for, including the start and end dates. A temporary pastor may be hired for up to twelve months, which may be renewed only with approval from COM.

Income

Line 1 – Enter the Annual Cash Salary the church is paying the pastor.

Line 2 – Enter the amount the church is providing for housing costs.

- This amount may be used for any costs associated with housing: mortgage, rent, utilities, yard maintenance, furnishing, etc.
- If a Manse is provided:
  - This line includes the value of the Manse (minimum 30% of line 6)
  - It also includes any allowance for other housing costs such as utilities, yard maintenance, furnishings, etc.

Line 3 – Enter the sum of lines 1 and 2.

- What is SECA? See the "SECA Tax Allowance Explanation" section, below.

Lines 4 and 5 – Enter the cost of any forms of income that the church is providing to the pastor that are not subject to SECA.

- Deferred Compensation is explained, below. This option must be offered to every pastor.

Line 6 – Enter the sum of lines 3, 4, and 5.

Benefits and Pension

There are a few factors that go into determining the Board of Pensions (BOP) benefits and pension costs for a temporary pastor. In most cases this is a negotiation between the session and the pastor: the church determines what it wants to offer and the pastor counters with what they need. The following table may help.

Board of Pensions Requirements/Options for Temporary PCUSA Ordained Pastors

	Pastor's Participation	**Ministers Choice**	**BOP Employee Select Benefits**	**Benefit Form**
Stated Supply/Interim/ Transitional	optional	optional	optional	TOS - OTP
Honorably Retired, receiving BOP benefits			limited, optional (*see note)	TOS - OTP

*At or below 20 hrs/wk., no dues contribution. Above 20 hrs, 12% of Total Effective Salary contribution to BOP

STATED SUPPLY/INTERIM/TRANSITIONAL PASTORS (Lines 7a, b, and c)

Churches hiring a temporary pastor have flexibility and choices when it comes to benefits. The church may offer Board of Pensions plans like Pastor's Participation or Minister's Choice, may work with the BOP to develop a benefit plan tailored to the specific pastor's needs, or may not offer any benefit plan at all.

Benefits are an employer decision. Temporary Pastors are employees, not Installed Pastors. There is no requirement that churches offer any benefits at all. In the Presbytery of South Louisiana, we have many Honorably Retired pastors that are taking their pensions and receiving medical benefits through Medicare and a Medicare Advantage or Medicare Supplement plan. They do not need additional benefits. In this case, skip to the Honorably Retired Pastors section, below.

If the church is hiring a pastor that desires some level of benefits, it is still the employer's decision, but the church may need to negotiate for the temporary pastor to agree to serve.

If a Benefit Offering is Desired

Pastor's Participation is the plan that Installed Pastors are required to have. It provides Medical, Pension, Death & Disability and Temporary Disability benefits. It is available for Temporary Pastors ordained in PCUSA at the same cost as for an installed pastor. Minister's Choice is similar, but it does not provide the medical benefits. A third option is available to churches wishing to offer benefits: create a benefits package tailored to the specific temporary pastor.

The amount the church pays to the Board of Pensions for benefits is based on the Total Effective Salary (line 6), unrelated to tax considerations. Rather than calculating these amounts, the BOP has online dues calculators that help determine the figures to enter into this section. Use these calculators for both full-time and part-time temporary pastors.

https://www.pensions.org/what-we-offer/employer-guidance/calculators

Line 7a – Use the link provided above, select "Pastor's Participation Dues Calculator" (Go to calculator), enter the year and the total from line 6. Enter into line 7a the Total Annual Employer Dues the calculator provides.

Line 7b – Use the link provided above, select "Minister's Choice Dues Calculator" (Go to calculator), enter the year and the total from line 6. Enter into line 7b the Total Annual Employer Dues the calculator provides.

Line 7C is for the case when a church offers a benefit package tailored to the specific temporary pastor. All of the individual benefits options are open for individual choice. The church may pay for one or more of these options or the church and pastor may enter into a cost sharing agreement. The BOP provides a method to administer benefits and the individual church has flexibility.

If the hiring church and the temporary pastor would like to explore these benefits options and their costs to the church and/or the pastor, contact the Board of Pensions for specific guidance:

Call the Board of Pensions at 800-773-7752 (800 PRESPLAN) for help.

Line 7c – When the hiring church and the temporary pastor have reached agreement and the Board of Pensions has provided the cost to the church, put this number on line 7c.

HONORABLY RETIRED PASTORS (Line 7d)

Honorably Retired Pastors are generally receiving their pension and are thus ineligible to receive additional pension benefits.

Line 7d - For an Honorably Retired pastor working more than 20 hours per week, the church must pay Post-Retirement Service Dues to the Board of Pensions. Enter 12% of the Total Effective Salary (line 6).

- For an Honorably Retired pastor working 20 hours or less, there is no Board of Pensions contribution, and the entry on line 7d is zero.

Honorably Retired Pastors are getting their medical benefits through Medicare and a Medicare Advantage or Medicare Supplement plan. However, if there is a specific need for a specific benefit, the church may agree to offer the benefit or enter into a cost sharing agreement with the pastor. In any case, when additional benefits are needed, contact the Board of Pensions for specific guidance.

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Line 8 – Enter the total for any additional optional benefits the church is willing to offer the temporary pastor.

Line 9 – Enter the sum of lines 7a, b, c, or d, and 8.

Allowances

Allowances are forms of income or benefits that are not subject to BOP dues calculations or SECA Tax Allowance Calculations.

Pastors are considered to be self-employed in terms of Social Security and Medicare. Since employing agencies contribute 50% of a secular employee's FICA taxes, churches commonly contribute 50% of a pastor's SECA tax. (See SECA Tax Allowance Explanation, below) This contribution is an example of an Allowance that is very nearly always paid by a church.

Line 10 – Multiply line 3 by .0765 and enter the result.

Line 11 – Enter the amount of any additional income or benefits not subject to BOP dues or SECA taxes.

- The most common form of additional income is when a church chooses to contribute to the pastor's 403(b) retirement plan through a "match" to the amount the pastor is contributing (on line 4). See Deferred Compensation, below.

Line 12 – Enter the sum of lines 10 and 11.

Total Compensation

Line 13 – Enter the sun on lines 6, 9, and 12.

Reimbursable Expenses

Reimbursable expenses are items that a church will reimburse to a pastor. Receipts or other proof of payment are required to be submitted to the church for repayment. Reimbursable expenses are not subject to BOP dues calculations or SECA tax calculations.

If items included as Reimbursable Expenses are submitted by the pastor and reimbursed by the church, the reimbursements are not taxable. If expenses are paid to a pastor "up front" and not accounted for, then the allowances are treated as taxable, just like a salary. It is very important to handle expense allowances by vouchered reimbursements.

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The amounts entered into this section are budgeted amounts for church accounting purposes. This money may or may not be spent, depending on if the pastor uses the benefit and submits the needed documentation.

Line 14 – Enter the amount the church has budgeted for the temporary pastor's use of their automobile for church business.

- The automobile allowance may be reimbursed at the IRS approved rate for mileage, or by the actual operating costs for professional use of the temporary pastor's automobile.

Line 15 – Enter the amount the church has budgeted for the temporary pastor's continuing education expenses. (Minimum $250 for either a full-time or part-time pastor)

- This includes the costs of tuition, travel, seminars, etc.

Line 16 – Enter the amount the church has budgeted for the temporary pastor's professional expenses.

- This includes books, subscriptions, cost of meals with church members or prospective members, etc.

Line 17 – Enter the amount the church has budgeted for anything it plans to reimburse to the pastor.

- A common example are the moving expenses for a new pastor. (Note that moving expenses are taxable to the pastor.)

Line 18 – Enter the sum of lines 14, 15, 16, and 17.

Total Cost to the Church

Line 19 – Enter the sum of lines 13 and 18.

Other Benefits

In the spaces provided, enter the number of weeks of leave allotted to the pastor.

The Presbytery of South Louisiana has established the following Terms of Service minimums.

- Minimum Leave: Four (4) weeks of vacation, and two (2) weeks study leave.
  - A week includes Sunday
  - Study leave is cumulative up to 3 years. That is, the church must allow their pastor at least 6 weeks of study leave over 3 years.
  - Leave for a part-time pastor is no different from a full-time pastor.
- Minimum Continuing Education Reimbursement: $250/year
  - This is for a either a full-time or part-time pastor

Approval Process

A Terms of Service form must be agreed upon by the temporary pastor, the church's Session, and the Presbytery of South Louisiana through its Committee on Ministry.

The following is the typical approval process (in this order):

1. The Session proposes Terms of Service to the pastor and negotiates until agreement is reached.
2. The Terms of Service sheet is submitted to the COM Liaison, and COM acts to approve, deny, or modify the document.
3. Once the pastor, Session, and COM have agreed, a signed copy is mailed to the Presbytery office at the address below or may be scanned and emailed.

PSL Committee on Ministry, 12909 Old Hammond Hwy., Baton Rouge, LA 70816.

Per the Book of Order, Terms of Service must be renewed yearly, at a minimum, including approval by COM.

If a pastor is called to serve in multiple churches, Terms of Service should be completed for each congregation, indicating what benefits that congregation will provide.

SECA Tax Allowance Explanation

SECA stands for the Self-Employed Contribution Act. It is just like the FICA combined tax for Social Security and Medicare that employers and employees pay. Pastors are considered self-employed in regard to Social Security and Medicare, so instead of paying FICA through an employer, they pay SECA taxes independently.

Pastors are responsible for all of the SECA tax, but usually churches pay for 50% of the tax, just like they pay 50% of the FICA tax for regular employees. This 50% is what is captured on line 11 of the Terms of Call form. This is common and expected.

Some churches wish to help their pastors out further by paying for some or all of the employee's 50% of the SECA tax. This is what is captured on line 5 of the Terms of Call form. This is not common. The first 50% is not included in the BOP benefit calculation, however, if a church pays anything greater than 50%, the excess is considered income and is included in the BOP dues calculation

The SECA tax is a self-employed person's contribution to Social Security and Medicare. The Social Security rate is 12.4% and the Medicare tax rate is 2.9%, hence the 15.3% rate, 50% of which is 7.65%! That's why the calculation on line 11 is the total SECA income from line 3 multiplied by .0765.

Now, to get complicated: If the church and pastor are fortunate enough to be able to provide a total SECA income greater than the limit for taxation defined by the government, the rate is no longer 15.3%. Each year the US government sets a cap on income for the Social Security tax rate, beyond which no additional Social Security tax is paid. This is not the case for the Medicare tax rate. If the church can pay a total SECA income greater than $125,000, the church and pastor need to look up the latest cap and make sure they are covering the tax appropriately.

Deferred Compensation Discussion

Deferred compensation includes any monies contributed to a tax-sheltered savings plan, housing equity allowance, or employee contributions to the 403(b) Retirement Savings plan of the BOP. Since the use of the BOP's 403(b) retirement plan is more common than other deferred compensation methods, and is encouraged, is addressed here.

<u>Handling the Board of Pensions 403(b) Plan on the PSL Terms of Call Form</u>

A 403(b) plan a retirement savings plan for non-profit employees. It is just like 401(k) retirement plans for secular employees.

A pastor may decide to have some amount of their cash salary put into the BOP's 403(b) plan. When this is done, that amount is usually not taxed until it is withdrawn from the program at some later time. The taxation is then usually deferred until the withdrawal. This amount is documented on line 4 on the Terms of Call form. The BOP dues are calculated including this deferred income.

In addition, the church may choose to put additional moneys into the pastor's 403(b) plan by matching the pastor's contribution. The church's match is documented on line 12. It is not included in the BOP dues calculation.

Any amount a church puts in <u>over</u> a match to the pastor's contribution is considered income and captured on line 6.