

ADVISORY OPINION:
CLERGY COMPENSATION¹ AND TERMS OF CALL

WHO DETERMINES THE TERMS OF CALL OF A NEW PASTOR?

Determining the terms of call is an important conversation between the pastor, congregation and the presbytery.² The terms of call often reflect a wide variety of issues ranging from salary and housing allowance, annual and study leave, pension and benefits, to moving costs and dental insurance, etc.³ Given the importance of these issues, all parties should enter the call process with a spirit of prayerful discernment, practicality and wisdom. Further, the pastor and congregation should be aware of the policies and guidelines of the calling presbytery and recognize that “no pastoral relationship may be established, changed or dissolved without the approval of the presbytery.”⁴ Additionally, it is important that the pastor and congregation be aware that, “the terms of call shall always meet or exceed any minimum requirement of the presbytery in effect when the call is made.”⁵

MUST THE TERMS OF CALL INCLUDE PARTICIPATION IN THE BENEFITS PLAN?

Yes. “The call shall include participation in the benefits plan of the Presbyterian Church (U.S.A.), including both pension and medical coverage...”⁶ This means that all pastors, co-pastors, and associate pastors must be enrolled for coverage in the benefits plan administered through the Board of Pensions.

WHO HAS THE RIGHT TO DETERMINE CHANGES TO THE TERMS OF CALL?

“The session shall review annually the minister’s terms of call and shall propose for congregational action (G-1.0501) such changes as the session deems appropriate, provided that they meet the presbytery’s minimum requirements.”⁷ Along these lines, business proper to a congregational meeting includes, “changing existing pastoral relationships, by such means as reviewing the adequacy of and approving changes to the terms of call of the pastor or pastors.”⁸ The congregation may modify the session's recommendations if it chooses to do so. The session must then reallocate the line items in the budget to reflect such changes.

MUST A CONGREGATION BE PROVIDED FULL INFORMATION EACH YEAR ON THE TERMS OF CALL AND TOTAL COMPENSATION PACKAGE FOR A PASTOR, CO-PASTOR OR ASSOCIATE PASTOR?

Yes, full information must be provided to the congregation and there can be no confidential terms.⁹ G-1.0503c further affords the congregation the right not only to review changes to the terms of call, but also to review the “adequacy of” the terms of call.¹⁰ Accordingly, the congregation must have the opportunity to approve the adequacy of the terms of call, even if there has been no change in terms from the previous year.

WHAT IS THE ROLE OF THE PRESBYTERY IN APPROVING THE TERMS OF CALL?

Annually, the presbytery must approve the terms of call and ensure that the terms of call always meet or exceed any minimum requirement of the presbytery in effect when the call is made.¹¹

DOES THE SESSION HAVE THE AUTHORITY TO REALLOCATE THE DISTRIBUTION OF THE COMPENSATION PACKAGE IF THE TOTAL AMOUNT REMAINS THE SAME?

Yes. The session, in consultation with the minister, may allocate the terms of call approved by the congregation so long as those allocations do not exceed the total package approved by the congregation. In order to be recognized by the Internal Revenue Service, exclusions from income must be properly treated by the employer.¹² With regard to housing allowance, it must be designated in advance by the proper employing body.¹³ With regard to other forms of compensation that do not affect cash salary (i.e., study leave, mileage, etc.), an accountable plan as defined by the Internal

Revenue Code and regulations should be adopted by the employer so that such amounts are not deemed taxable income to the minister.

WHEN A CALL IS BEING TERMINATED AND THERE IS A SEVERANCE PACKAGE IS THIS A CHANGE IN THE TERMS OF CALL?

Yes. The session, congregation and presbytery must approve the severance package as it is considered a change in the terms of call.¹⁴

UPDATED OCTOBER 2012

¹ For additional information related to this subject *see also* “Legal Resource Manual for Presbyterian Church (U.S.A.) Middle Governing Bodies and Churches,” Third Edition (2010), sections 6 and 8 at: <http://www.pcusa.org/resource/legal-resource-manual/>

² *See* “Having a Conversation about Terms of Call” at: <http://www.pcusa.org/resource/having-conversation-about-terms-call/>

³ For additional resources and information on this subject matter *see*: “The 2011-2013 Advisory Handbook for Ministry Committees/Commissions” at: <http://www.presbyterianmission.org/ministries/ministers/committee-ministry-advisory-handbook/>

⁴ G-2.0502

⁵ G-2.0804

⁶ G-2.0804

⁷ G-2.0804

⁸ G-1.0503c

⁹ *Baumann and Griffiths v. Session of Bellefield Church (Minutes, Part I, 1990, p. 140, 11.096).*

¹⁰ G-1.0503c

¹¹ G-2.0502; G-2.0804

¹² For more detailed information on clergy tax issues *see* “Tax Guide for Ministers” provided by The Board of Pensions at: <http://web.pensions.org/Publications/pensions/Home/Forms%20&%20Publications/Booklets%20&%20Brochures/tax-000.pdf>; *see also* Richard R. Hammar, *2012 Church and Clergy Tax Guide* (Christianity Today: 2012).

¹³ Along these lines, if the session acts to approve an increase in housing allowance by \$100 per month in July, the minister may exclude only \$600 (6 months x \$100) with regard to the increase for that particular calendar year and the reporting form (i.e., W-2) issued by the employer should only reflect such amount.

¹⁴ *See* G-2.0502; For a resource related to these issues, *see* “Calling a New Installed Pastor” at: <http://www.pcusa.org/resource/calling-new-installed-pastor/>