

Review of Ministerial Remuneration

The full report of the Stipend Task Group is available on the website at www.presbyterian.org.nz/ga06.

Terms of Reference

The Terms of Reference approved by the Council of Assembly were as follows:

1. To review policy for conditions of service and remuneration for
 - Ministers of Word and Sacrament
 - Lay workersAnd bring proposals which take into account:
 - The current and anticipated needs of the church
 - The current and anticipated needs of its paid staff both stipended and salaried
 - The capacity of the church to respond to changing circumstances
 - The legal, human resourcing and administrative implications of any proposed policy changes.
2. To consult as required in order to accomplish the task – the consultation to include but not be limited to: Te Aka Puaho, Pl.Synod, Council of Asian Congregations, representative sample of parishes, parish ministers, ministers not in parish ministry (eg chaplains) and lay workers, Beneficiary Fund Work group, Forum of Uniting Congregations.
3. To take into account, as part of the review, the potential effect of:
 - Student loans, training costs etc as a financial burden on ministers
 - The requirement/need for a housing provision for ministers
 - The need and/or rationale for a graduated system of increments and/or a seniority allowance
 - Whether there should be any link between payment of a seniority allowance (or equivalent) and/or supervision and/or continuing ministry formation
 - Whether the remuneration package for ministers should be on the basis of stipend alone or stipend plus non-taxable allowances; salary rates for lay workers
 - The administrative costs involved in maintaining the present structures arising from any proposals.
4. To report to the 2006 General Assembly.

4. **Additional payment**

That parishes be given the discretion to pay a minister, without presbytery approval, a further 20 percent above the basic stipend (see section 10.3).

5. **Reimbursements**

That the following additional reimbursements be provided for:

a. That parishes pay the reasonable costs associated with supervision including the cost of travel.

b. That parishes budget for up to \$1000 per annum (non-cumulative) for actual expenses incurred in parish approved continuing ministry formation

c. That parishes pay the cost of consumables and internet connections for ministers with appropriate adjustments for private use.

d. That where parishes have an expectation the minister will use a mobile phone for ministry purposes, the cost is to be covered by the parish or an arrangement is to be made for sharing costs.

e. That parishes be encouraged to reimburse all costs when a minister relocates to a new parish.

6. **Equipment**

That parishes provide a computer and printer/scanner for the minister's use and have in place a replacement policy, the equipment to remain the property of the parish.

7. **General Conditions of Service**

a. That Assembly endorse for

ministers' hours of work, the unit system outlined in this report.

b. That Sessions and Parish Councils are urged to encourage their ministers to have two days off per week.

c. That Sessions and Parish Councils are urged to encourage ministers to take reasonable sick leave when required, including reasonable time for recuperation. (see section 10.5).

8. Vehicle Reimbursement Rate

That the Interchurch Working Party on Taxation be asked to urgently review reimbursing mileage rates. (section 10.5)

9. Further review

That ministerial remuneration be further reviewed no later than 2013,

10. That the Book of Order and Judicial Reference Group amend the Book of Order and, if appropriate, Conditions of Service Manual, to incorporate the Assembly decisions which arise from this report.

Report

1 Approach

1.1 Based on the Terms of Reference, the Task Group decided its main task was to discern the adequacy or otherwise of the current stipend. And in particular to determine whether it is consistent with the accepted definition of stipend which is "to enable ministers to devote their whole time and talents to the service of God through the Church and that the income provided would enable ministers to perform these duties without due concern for their economic stability".

2 Process

2.1 The Task Group conducted research and engaged with a range of groups that have informed the proposals in this report. Specifically, this work included:

- A survey among Presbyterian ministers to gain quantitative information on their financial position
- Dialogue with various groups including Church Property Trustees, Resource Sub-committee and Council of Assembly
- Analysis of what constitutes a minister's total remuneration package
- Assessment of ministers' disposable income
- Comparison with stipends from other denominations and pay rates for similar occupations
- Investigation of impact of government-paid allowances on ministers' remuneration
- Assessment of housing-related issues on remuneration
- Input from the wider church on draft proposals.

2.2 The Task Group is very conscious that it is up to the Church as a whole to decide whether or not there is the ability to pay the level of stipends and allowances recommended. It is acknowledged that some parishes are struggling financially now, but there is also a need for rationalisation in many areas. These proposals could be the catalyst for change.

3 Research Findings

3.1 In 2005 an anonymous survey was posted to 320 Presbyterian ministers; 202 replies were received, which represents a 63 percent response rate.

3.2 The survey found widespread dissatisfaction by a large number of ministers in many areas of their stipend/remuneration. Key survey findings include:

- In keeping with New Zealand society today, spouses in many cases are working to enable the family to have a reasonable standard of living. The Task Group notes this point because the ability of the spouse to obtain employment relatively close to their home may well be influencing the ability of some parishes to call a suitable minister.
- 71 percent of those who responded feel the current level of stipend is inadequate
- For those for whom the stipend is the only source of income, 33 percent are having difficulty paying their bills
- 22 percent have seriously considered changing their career path because of their financial position
- 28 percent have less than \$100,000 in assets of all forms and 37 percent have liabilities of up to \$100,000

- 26 percent have no provision for their ongoing housing needs while 65 percent own a house or property
- Excluding housing and the Beneficiary Fund, 50 percent have no form of retirement savings
- Over half of respondents are not able to replace their vehicles every seven years without undue financial hardship.

4 Ministers' total remuneration package

- 4.1 Research suggested that there was a lack of clarity or consensus around what represents a minister's total remuneration package. The Task Group submits that a minister's maximum total remuneration package may be fairly represented as:

Basic Stipend as at 1 July, 2006		\$38,051
IRD assessed value of the manse		3,805
Maximum Seniority Allowance		2,283
Employer Beneficiary Fund contribution @ 5%		\$1,903
Tax paid adjustment to this contribution	<u>952</u>	<u>2,855</u>
Total Remuneration		<u>\$ 46,994</u>

- 4.2 With regard to remuneration for the manse (in 4.1 above), this level is based on the Inland Revenue Department (IRD) notional value of rent for a manse, which is tax assessed at 10 percent of the basic stipend.

It is incorrect to suggest that a minister who lives in a manse receives a rent-free house. Currently they are required to pay additional tax amounting to \$1,256 per annum for the perceived benefit of living there.

- 4.3 The Annual Reimbursing Allowance payment (\$2,623) was not considered to be part of a minister's remuneration, because it would bring into question the present tax-free status of the allowance.
- 4.4 Expenses such as phone, car mileage, study leave were not considered to be part of a minister's remuneration, because these are reimbursements of costs incurred on behalf of the parish, not benefits. There is evidence that in some cases ministers have been, and are significantly out of pocket where reimbursing payments have not kept pace with rising costs. Motor vehicle running cost could be an example of this.

5 Ministers' disposable income

- 5.1 An analysis of ministers' household costs and resulting disposable income was undertaken by the Task Group. This was based on information from a number of sources including University of Otago, the Consumer Price Index and Presbyterian Support Otago. The research also reflected three different sets of personal circumstances to ensure it could be broadly applied to the different living situations ministers may experience. This research confirmed that our recommendation for an increase in the remuneration to ministers is justified.

6 Government assistance for families

- 6.1 The impact on ministerial remuneration of government family assistance payments (which are calculated on income and number of children in the family) was also considered. Family support payments are made according to household income and the number and ages of children. These payments recognise the particular circumstances of families with dependent children and have no bearing on the level of the stipend. The uncertainty associated with changes of Government means these payments may not always be available, or available at different levels. Privacy Act considerations would make it virtually impossible to make differing stipend payments depending on the level of Government assistance packages.

7 Benchmarking of remuneration

- 7.1 To show relativity with other occupations, the Task Group researched similar vocations and came to the conclusion that the occupation that most resembled that of a minister was a primary school principal. The Group's recommendation to increase ministerial remuneration still only moves a minister with 11 years or more of experience to 75% of the lowest grade (50 pupils or less) for a primary school principal.
- 7.2 In its analysis, the Task Group observed that as at July 2005, stipends for Presbyterian and Methodist ministers were the lowest of all denominations.
- 7.3 In making its recommendation to increase ministerial remuneration, the Task Group was aware of the 2000 General Assembly decision that the Church is required to consider the implication of decisions for co-operating ventures. It is understood that the Presbyterian Church would engage in conversation with the Uniting Congregations of Aotearoa New Zealand prior to implementing any decision that General Assembly may make.

8 Housing for ministers

- 8.1 During the course of its research the Task Group noted that some ministers are entering retirement without having made any provision for housing. Many submissions expressed concern on this point and indicated that they would like to see steps taken to reduce the likelihood of this happening in future.
- 8.2 More work in this area is being undertaken by the Council of Assembly, and only comments are made in this area, not recommendations, as this is a matter for further investigation by the Church.

9 Conclusions

- 9.1 Based on research and input from other groups, the Task Group has concluded that the level of remuneration has not been consistent with the accepted definition of stipend for some time (i.e. to enable ministers to devote their whole time and talents to the service of God through the Church and that the income provided would enable ministers to perform these duties without due concern for their economic stability).
- 9.2 The increase in remuneration could not be achieved through an increase in the basic stipend because of the impact on the Beneficiary Fund. This is a 'defined benefit scheme' and any increase in the basic stipend flows on to all members of the Fund, both current and retired ministers. Council of Assembly has called for a full report with options for the Beneficiary Fund.

- 9.3 The Task Group recognises that the recommendations may not be popular, because if adopted it will mean a number of churches may no longer be able to afford a minister. This could result in significant rationalisation of our churches with all of the ongoing consequences for congregations. Nevertheless, the Task Group firmly believes the Church will be failing in its duty if the problem is not addressed now.
- 9.4 A draft report was circulated for comment before finalising for this General Assembly. 122 submissions were received; of these 52 were generally supportive; 16 were generally against; and a number of submissions commented on a particular aspect of the report only. Nearly one third of the submissions expressed concern for the viability of parishes that are financially struggling now.
- 9.5 The Task Group believes that the Church has put off for too long facing the reality that many Presbyterian ministers find themselves in, and that the time has come for the Church to try and remedy the situation and take urgent steps to redress the balance.
- 9.6 The Task Group recommendations urge the church to lift the remuneration of ministers to a level that meets the definition of stipend.

10 Proposals

- 10.1 **Lay worker remuneration:** no proposal as to the level of remuneration. The existing flexibility should be retained so parishes can determine an appropriate level of remuneration suited to individual circumstances.
- 10.2 **Minister remuneration and Ministry Experience Allowance:** it is proposed that the Seniority Allowance cease with the last payment being made in March 2007, and be replaced by a Ministry Experience Allowance with the following terms:

2 to 5 years	6 percent of the basic stipend
6 to 10 years	12 percent
11 years +	18 percent

- 10.2.1 It is proposed that, from 1 July 2007, the Ministry Experience Allowance be paid by the parish or employer, with the normal stipend. The present system of collection of the Seniority Allowance through the Assembly Assessment is inefficient and costly to the Church. The Resource Subcommittee indicated this move would reduce Assembly Assessment by an average of about 8%, but this would vary from parish to parish.
- 10.2.2 Some submissions raised the concern that there is a theological basis for retaining a centralised system of collection with the strong helping the weak. However, because of the higher rate proposed for the Ministry Experience Allowance, it was felt that cross-subsidisation would be too high, so the original proposal for de-centralising this payment is retained.
- 10.2.3 It is proposed that the Ministry Experience Allowance be phased in over two years with 50 percent paid from 1 July 2007 and 100 percent paid from 1 July 2008.

10.2.4 It is proposed that the basic stipend be linked to the Average Weekly Earnings Index for adjustments from 1 July 2008. This would replace the current system where annual changes to stipend are based on the Consumer Price Index. The report stated that since 1989 the basic stipend is nearly 14% lower as a result of using the Consumer Price Index instead of the Average Weekly Earnings Index.

10.2.5 Appendix 1 contains a detailed analysis of the financial impact of these proposals on the basic stipend and total remuneration package for ministers. The estimated increase in payments to ministers as set out in that appendix show ministers will receive extra payments over and above the normal increases of;

\$1,175.79 2007 year

\$5,306.83 2008 year

\$5,946.58 2009 year

These are not cumulative but extra payments each year.

Appendix 2 shows the difference between the present system and the proposed system for ministers up to the first 16 years in ministry.

10.3 It is proposed that parishes be given the discretion, without presbytery approval, to pay their ministers a further 20 percent above the basic stipend. It was noted a number of parishes already pay their ministers in excess of the basic stipend. (Regional variations to stipend were considered and rejected by the Task Group.)

10.4 **Allowance for hospitality, books, vestments and other expenses:** It is proposed that this remain unchanged at \$2,623 per annum unless actual expenditure is in excess of this amount in which case this shall be reimbursed to the minister subject to the approval of the parish.

10.4.1 A proposal to introduce an additional allowance to assist with costs associated with relocation (in addition to the allowance payable for the transportation of household effects) was withdrawn based on feedback from submissions from the wider church. We urge parishes however to reimburse all the costs of shifting, such as new school uniforms, suitable furniture etc.

10.5 General Conditions of Service and other matters

10.5.1 **Hours of work:** The unit system as a measurement of work for ministers is endorsed by the Task group. That system is as follows:

“Hours of work in ministry are determined using a system of units. A unit is a morning, afternoon or evening and is generally considered to be around three and a half to four hours. A full-time position is twelve units (morning, afternoon, or evening) each week. This is based on five days work plus two evening meetings. The number of units expected to be worked is pro-rated for part-time positions.”

10.5.2 **Normal days off:** It is proposed that parishes encourage their ministers to have two days off per week.

- 10.5.3 **Ministerial supervision:** it is proposed that parishes pay reasonable costs associated with supervision including the cost of travel.
- 10.5.4 **Sick leave:** It is proposed that parishes encourage their ministers to take sick leave as required, which would include reasonable time for recuperation.
- 10.5.5 **Continuing ministry formation:** it is proposed that parishes budget for up to \$1000 (non-cumulative) for actual expenses incurred in parish approved continuing ministry formation.
- 10.5.6 **Motor vehicles:** A proposal for parishes to provide ministers with motor vehicles not less than 10 years old is withdrawn based on feedback from submissions from the wider church. It was noted however that a number of parishes do supply motor vehicles to their ministers either owned outright by the parish or leased.
- It was noted in many submissions that motor vehicle reimbursement rates have not kept up with actual costs, especially fuel costs. On this point, the Task group notes that, by negotiation between the parish and minister, reimbursement rates higher than IRD-approved rates can be paid (and remain tax-free) as long as records are maintained to justify the higher rate.
- The Task Group recommends that the Interchurch working Party on Taxation be requested to urgently review reimbursing mileage rates to ensure the latest fuel costs are taken into account.
- 10.5.7 **Computers:** It is proposed that parishes provide a computer and printer/scanner solely for the minister's use and that a replacement policy be implemented. The equipment would remain the property of the parish.
- 10.5.8 **Internet connection:** It is proposed that consumables and internet connections should be a cost borne by the parish with appropriate adjustments for private use.
- 10.5.9 **Mobile phones:** a proposal for parishes to provide mobile phones for ministers is withdrawn based on feedback received from submissions. Where a parish has an expectation that the minister use a mobile phone for ministry purposes, costs should be covered by the parish, or an arrangement to share costs should be entered into.
- 10.6 Other matters such as student debt and health insurance were canvassed by the Task Group, but no recommendations are made in these areas. These issues will be addressed to a large extent by the overall increase to remuneration that is proposed.
- 10.7 **Stipend first call on parish funds**
- Parishes are reminded that the ministerial stipend and allowances are the first call on parish funds.

11 Task Group Membership

- Neil Sinclair, Ashburton (Convenor): Council of Assembly member and retired Chartered Accountant
- Rev Bob Fendall, Christchurch: Retired Presbyterian Minister
- Alan Hayward, Christchurch: Former Registrar University of Canterbury (now retired)
- Rev Alan Judge, Ashburton: Presbyterian Minister – St David's Union Church
- Rev Sylvia Miller, Christchurch: Presbyterian Minister – St Stephen's Presbyterian (resigned December, 2005 when she moved from Christchurch to Auckland)
- John Simpson, Christchurch: Company Director and Management Adviser
- Alison Tait, Dunedin: Human Resources expertise

For The Reader to Reflect On:

In some countries employment of ministers in the Presbyterian Church is more structured and formal than in New Zealand.

In employment matters ministers ordained by the Presbyterian Church of Aotearoa New Zealand completely rely on the Church to look after their interests. There is no formal advocate appointed to represent them. You (the reader) and we **are both** the **advocate** for Ministers and their families, and the **conscience** of the Church.

Neil Sinclair

Convener Stipend Review Task group

July 2006

Appendix 1 – Comparison of Stipend increases under recommended system compared to present system

Assumptions: Annual Movements in:

	CPI Index	Average Weekly Earnings Index
2006	3.3% Actual- covers period 1/4/05 to 31/3/06	
2007	3% Estimate	
2008	3% Estimate	4% Estimate
2009	3% Estimate	4% Estimate

PRESENT SYSTEM from 1 July

	Basic stipend	Max Seniority Allowance (6%)	Total Payment
2006	\$38,051 Base Year	\$2,283.06	\$40,334.06
2007	\$39,193 (\$38,051+3%)	\$2,351.58	\$41,544.58
2008	\$40,369 (\$39,193+3%)	\$2,422.14	\$42,791.14
2009	\$41,580 (\$40,369+3%)	\$2,494.80	\$44,074.80

PROPOSED SYSTEM from 1 July

	Basic stipend	Max Ministry Experience Allowance(18%)	Total Payment
2007	\$39,193 (\$38,051+3%)	\$3,527.37 (9%)	\$42,720.37
2008	\$40,761 (\$39,193+4%)	\$7,336.98 (18%)	\$48,097.98
2009	\$42,391 (\$40,761+4%)	\$7,630.38 (18%)	\$50,021.38

INCREASE IN STIPEND BETWEEN PRESENT SYSTEM AND PROPOSED SYSTEM from 1 July

2006	Nil
2007	\$1,175.79 (\$42,720.37 less \$41,544.58)
2008	\$5,306.83 (\$48,097.97 less \$42,791.14)
2009	\$5,946.58 (\$50,021.38 less \$44,074.80)

Important Note

This table is prepared based on assumptions as to the level of Consumer Price Index and Average Weekly Wages Index movements. The actual Indexes will not be available until after the year end that they relate to. It is standard practice to implement the new basic stipend from 1st July for the next 12 months incorporating the index increases for the year ending 31st March. The actual outcome could be quite different to the figures set out in the above tables depending on the **actual Index** movements.

July, 2006

Appendix 2 – Tables showing Effect of Present System and Proposed System for the first 15 years of ministry

From 1st July

Year	2006	2007		2008		2009	
	Present	Present	Proposed	Present	Proposed	Present	Proposed
1	38051	39193	39193	40369	40761	41580	42391
2	38051	39193	40369	40369	43207	41580	44934
3	38051	39193	40369	40369	43207	41580	44934
4	38051	39193	40369	40369	43207	41580	44934
5	38812	39977	40369	41176	43207	42411	44934
6	38812	39977	41545	41176	45652	42411	47478
7	38812	39977	41545	41176	45652	42411	47478
8	38812	39977	41545	41176	45652	42411	47478
9	38812	39977	41545	41176	45652	42411	47478
10	38812	39977	41545	41176	45652	42411	47478
11	39573	40761	42720	41984	48098	43243	50021
12	39573	40761	42720	41984	48098	43243	50021
13	39573	40761	42720	41984	48098	43243	50021
14	39573	40761	42720	41984	48098	43243	50021
15	39573	40761	42720	41984	48098	43243	50021
16+	40334	41545	42720	42791	48098	44075	50021

Note This table is calculated with the same assumptions included in Appendix 1 of the main report.

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Assumptions : Annual Movements in:

	CPI Index	Average Weekly Earnings Index
2006	3.3% Actual- covers period 1/4/05 to 31/3/06	
2007	3% Estimate	
2008	3% Estimate	4% Estimate
2009	3% Estimate	4% Estimate

Seniority Allowance

In the columns headed as 'Present' it has been calculated on the following basis;

5 to 10 years 2% of basic stipend

11 to 15 years 4% of basic stipend

16+ years 6% of basic stipend

Ministry Experience Allowance

In the columns headed as 'Proposed' it has been calculated on the following basis;

2 to 5 years 6% of basic stipend

6 to 10 years 12% of basic stipend

11+years 18% of basic stipend

except in the 2007 year 50% of these rates have been used.

Important Note

This table is prepared based on assumptions as to the level of Consumer Price Index and Average Weekly Wages Index movements. The actual Indexes will not be available until after the year end that they relate to. It is standard practice to implement the new basic stipend from 1st July for the next 12 months incorporating the index increases for the year ending 31st March. The actual outcome could be quite different to the figures set out in the above tables depending on the actual Index movements.

July 2006

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