

United Reformed Churches of North America

AD-Hoc Committee Compensation and

Retirement Assessment

Synod Visalia 2014

Introduction

The committee commenced its work by reviewing its mandate of Synod 2012 and assigning portions of the mandate to various members. Early on, we determined that a survey of pastors and councils would be necessary to gauge how ministerial retirement needs are being met in light of the guidelines established by prior synodical decisions. Considerable care was taken to formulate the survey questions, which were then sent to the ministers and councils of the federation. While we had hoped for a higher response rate, the results were sufficient for our review of ministerial retirement needs in the context of our mandate. Furthermore, we reviewed similarly situated Reformed and Presbyterian denominations' approach to retirement needs. Summaries of the URC survey results, sister denominational retirement plans, and past URC Synodical decisions are found in appendices to this report.

The committee conducted its work via regular telephonic conference calls and through exchanging various proposals via email. On February 13, 2014, we held a lengthy telephone conference to examine and approve each part of the report. Under our chairman's able leadership, various viewpoints were coalesced into a uniform consensus on the recommendations. We believe the recommendations will guide the churches in their obligations as well as strengthen the accountability among the churches. It should be noted that we were mindful of the limits of our mandate regarding any changes to Article 10 and that prior synodical decisions had indicated reluctance to establish a federation retirement plan. Thus, it is our hope that this report will also encourage the churches to take that first principle step of endorsing a necessarily separate study of possible federation retirement plans for future synodical consideration.

Mandate (Acts of Synod Nyack 2012, Article 93, p.69)

That Synod establish a new ad hoc committee mandated to give advice concerning the compensation and retirement concerns faced by URCNA ministers, to determine if the present course of action of the URCNA churches sufficiently addresses these matters with undue hardship on either the congregations or its ministers. This mandate ought to include, but not be limited to:

- a. Outlining Biblical principles relative to ministerial compensation, addressing the question of benevolence or merit-based payment.
- b. Consideration of all past synodical decisions relative to compensation and retirement and the effectiveness of those decisions.

- c. Projecting the future needs of URCNA ministers relative to their retirement needs (25-40 years).
- d. Any other financial issue relative to compensation and retirement concerns deemed appropriate by Synod so as to put this question to rest and establish a workable framework for many years into the future.
- e. Clarifying the meaning of the first sentence of the first paragraph of Church Order Article 10, either by way of explanation or by amendment of Article 10.

The committee is to serve until the next Synod, and their report is due by the deadline for the next synodical agenda. That Synod appoint the following to the committee:

Rev. Hank Van der Woerd – chairman
Rev. Henry Van Olst – reporter
Robert Huisjen
Pam Hessels
Steve Tjapkes
Mark Van Der Molen
Huibert Den Boer

A. BIBLICAL PRINCIPLES

Scripture mandates congregations to financially support the minister of the Word and sacraments so they can best serve their congregation by being fully dedicated to the work of the Lord without the distraction of financial stress and/or having to supplement their income from other employment. Consistent with the principle that ministers ought to be honorably compensated for their labors, they also ought to be adequately provided for that they might also be able to retire with sufficient funds so as not to require diaconal assistance.

1. Old Testament:

a. Deuteronomy 18:1-8

"The Levitical priests, all the tribe of Levi, shall have no portion or inheritance with Israel they shall eat the Lord's food offerings as their inheritance. They shall have no inheritance among their brothers; the Lord is their inheritance, as he promised them. And this shall be the priests due from the people, from those offering a sacrifice, whether an ox or sheep: they shall give to the priest the shoulder and the two cheeks and the stomach. The first fruits of your grain, of wine and of your oil, and the first fleece of our sheep, you shall give him. For the Lord your God has chosen him out of all your tribes to stand and minister in the name of the Lord, him and his sons for all time."

In the Old Testament the Levitical priests were to be provided for by the other tribes of Israel. God did not want the priests distracted from carrying out their duties by having to worry about the necessities of life.

2. New Testament:

a. Luke 10:7

"And remain in the same house eating and drinking what they provide, for the laborer deserves his wages."

As Jesus sends out His disciples He does not deny their right to be provided for the necessities of life. The laborer, especially those called to the ministry, deserve their wages.

b. 1 Corinthians 9:1-14

"Am I not free? Am I not an apostle? Have I not seen Jesus our Lord? Are you not my workmanship in the Lord? If to others I am not an apostle, at least I am to you, for you are the seal of my apostleship in the Lord. This is my defense to those who would examine me. Do we not have the right to eat and drink? Do we not have the right to take along a believing wife, as do the other apostles and the brothers of the Lord and Cephas? Or is it only Barnabas and I who have no right to refrain from working for a living? Who serves as a soldier at his own expense? Who plants a vineyard without eating any of its fruit? Or who tends a flock without getting some of the milk? Do I say these things on human authority? Does not the Law say the same? For it is written in the Law of Moses, 'You shall not muzzle an ox when it treads out the grain.' Is it for oxen that God is concerned? Does he not speak entirely for our sake? It was

written for our sake, because the plowman should plow in hope and the thresher thresh in hope of sharing in the crop. If we have sown spiritual things among you, is it too much if we reap material things from you? If others share this rightful claim on you, do not we even more? Nevertheless, we have not made use of this right, but we endure anything rather than put an obstacle in the way of the gospel of Christ. Do you not know that those who are employed in the temple service get their food from the temple, and those who serve at the altar share in the sacrificial offerings? In the same way, the Lord commanded that those who proclaim the gospel should get their living by the gospel.

This entire passage speaks to the claimed right of Paul to be compensated by and through the preaching of the Word. It is Paul's privilege to waive that right if he so desires, but it is not the right of others to shrink or revoke his share.

c. 1 Timothy 5:8

"If anyone does not provide for his relatives, and especially for his immediate family, he has denied the faith and is worse than an unbeliever."

d. 1 Timothy 5:17-18

"Let the elders who rule well be considered worthy of double honor, especially those who labor in preaching and teaching. For the Scripture says, 'You shall not muzzle an ox when he treads out the grain,' and, 'The laborer deserves his wages.'"

This passage does not only refer to respect one should have for the office, but includes the matter of remuneration. Churches also have an obligation to provide for their pastors as they minister in the congregation in such a way that the minister should have/receive the means to be able to set aside properly for retirement.

SUMMARY: Biblical Principles:

God's Word makes clear that financial compensation for the work of a minister is not to be based on benevolence but rather as a laborer in the kingdom he is to be honorably compensated for his work while called to a church and for his retirement.

B. CONSIDERATION OF PAST SYNODICAL DECISIONS

Previous synodical decisions (Escondido 2001, and Calgary 2004) are included in the Report in Appendix D. It becomes evident from our survey and experience that these recommendations are not being carried out with any degree of consistency. While these recommendations represent a noble attempt to address the matter of providing retirement funds for the pastors of the URCNA every indication is that ministers are running far short of funding for their retirement.

C. FUTURE NEEDS

Future needs of URCNA ministers relative to their retirement needs will vary greatly from person to person. Additionally it is difficult to anticipate changes

to the economic climate or to project with any certainty the rates of inflation, or future costs. As concerns the future we trust that the Lord will provide and so He does. It is our task however to be prudent and to make necessary adjustment where we are aware that future needs may be significant. In light of present costs relative to retirement living, old age care and medical / prescription factors we believe many ministers are being underfunded. It is not uncommon for monthly care costs to be in the range of \$2000.00 to \$3500 per month, or \$24k to \$42K per year. While some ministers may benefit from government pension income this will not significantly contribute to the afore mentioned costs. Retirement saving contributions, coupled with present market rates of return, are estimated to be much lower than the anticipated need.

Recommendation #1. That all churches should, as part of the annual remuneration and benefit package for their minister, make provision for a government approved retirement plan or equivalent in an amount ranging from 10% to 20% of gross remuneration, which remuneration includes any housing allowance or the equivalent thereof and medical benefits. This percentage amount should be designated by the church to the minister's personal retirement plan or equivalent thereof.

Grounds:

- a) The survey results suggest that the current percentage for church contribution appears insufficient to provide honorably for the retirement needs of ministers.
- b) The survey results suggest churches need to consider that the retirement provision should be an addition to base salary, and not seen as something which would ask the minister to take away from his current base salary.
- c) The survey results suggest that in determining the percentage contribution within the 10- 20% range, churches need to better consider the financial effect and value of a parsonage vs. home ownership on the minister's retirement needs. These needs can vary depending on the remuneration package.
- d) The survey results suggest that retired ministers will be inadequately prepared for the significant costs of potential nursing home care, which will vary depending upon location and level of service.

Recommendation #2. That the following questions be included for both the church visitors and on the Classical Credentials

- a) As part of the annual remuneration and benefit package for your minister, are you making provision for a government approved retirement plan or equivalent in amount ranging from 10% - 20% of gross, which remuneration includes any housing allowance or equivalent value thereof, and medical benefits?
- b) Are you currently providing disability insurance for your minister, in an amount equivalent to at least 50% of the gross remuneration, which remuneration

neration includes any housing allowance or equivalent value thereof, and medical benefits?

- c) Does your minister have adequate life insurance coverage to provide for his dependents?
- d) Does your church provide assistance to a retired pastors or widows?
- e) Does your church need assistance to comply with Synod's retirement provision guidelines?
- f) Does your church need assistance to support a retired pastor or a widow in need of financial assistance?"

Grounds:

- a) The responses to these questions are not always reported or duly noted in the church visitors report.
- b) Church visits are made every other year whereas reporting annually on the classical credentials will be current, which is especially helpful if a new need should arise or the financial ability of a church should change in the meantime.
- c) Our current survey of ministers indicates that far too many churches are not in compliance with providing the required retirement contributions.
- d) Our current survey of retired pastors indicates that they are experiencing difficulties in meeting their financial obligations.
- e) It is consistent with the recommendation of Synod 2004 (Article 99, p.41) that there be greater accountability among the churches that we are fulfilling our financial obligations.

Recommendation #3. That the Minister's Assistance Fund be discontinued in any Classis that might still operate such a fund.

Grounds:

The operation of such a fund is in violation of the Canada Revenue Agency and United States Internal Revenue Service.

Recommendation #4. That an Ad Hoc Committee be appointed to study and make recommendations on specific feasible retirement plan options so the churches may consider whether to establish a federation-wide retirement fund/plan.

Grounds:

- a) Our survey results indicate an interest in and need for a federation retirement plan.
- b) A federation retirement plan could bring more uniformity in practice among the churches in making honorable provision for ministerial retirement needs.
- c) Similarly situated sister denominations have found such denomination

- plans feasible and desirable.
- d) Providing specific recommendations for a particular type of plan, with its attendant costs, benefits, contribution levels, etc. were viewed by this committee as beyond our present mandate.
 - e) In Canada, the income tax act (ITA) limits the amount Canadian registered charities can give to individuals. Ministers (and their spouses) may not be given preferential treatment over other church members. Benevolence rules will dictate the amount that can be given.

D. OTHER FINANCIAL ISSUES

Other financial issues facing our ministers concern the question of adequate insurance. In the event of death or disability, most of our congregations would experience financial hardship or may even be unable to survive financially. In recent years there have been several cases where as a result of inadequate insurance being in place a significant financial burden was placed upon the surviving spouse and the church. While it is certainly the responsibility of the church to provide in these instances, the burden can be alleviated by means of insurance. Some churches continue to supply their minister with a parsonage, while many others now own their own homes. We make no comment as to which option is the most desirable, however we note that those who are housed in parsonages are compensated at lower amounts than those who are not. As a consequence, their annual retirement contributions will be less each year and these will compound to a lower amount over the long term, in contrast to those who own their own homes. Additionally home ownership will result in equity for the homeowner and lower housing costs for them in the long term.

Recommendation #5. That congregations verify that ministers have adequate life, disability, and health insurance so as to minimize a potential financial burden upon the surviving spouse and church.

Grounds:

- a) Just as members of the congregation normally carry life insurance to provide for their surviving spouse and at home children it is not unreasonable to expect ministers to provide for their families.

Recommendation #6. That Synod approve an increase in the minimum annual retirement contribution for ministers who live in a parsonage. Churches must ensure that ministers in this category are at the 15-20% range of the guidelines established by Synod.

Grounds:

- a) Ministers who live in a parsonage are essentially left without permanent residence upon retirement and will require a greater amount of money to retire; either to purchase or rent a home.

E. CHURCH ORDER ARTICLE 10

1. Church Order Article 10: Prior to Synod 2012

“Each church is to provide adequately for the minister of the Word and his family while he is serving that church, and should contribute toward the retirement and disability needs of his minister. Those who have retired from the active ministry shall retain the title and dignity of the office of minister of the Word.”

2. Church Order Amended at Synod 2012 (Acts of Synod p.68) & Ratified January 2013

“Each church is to provide honorably for its minister and his family while he is serving that church, and shall provide for the retirement and disability needs of its minister. In the event of a minister’s death, adequate provision shall be made for the support of his dependent wife and children.

A minister who has emeritated due to age or who is unable to perform the duties of his office due to age, sickness or other personal disabilities, shall retain the honor and title of Minister of the Word and his ministerial credentials shall remain with the church he last served, which shall provide honorably for his support, with the assistance of the churches of classis if necessary.

The emeritation of a minister shall take place with the approval of the council and with the concurring advice of classis. After emeritation a minister’s credentials may follow a membership transfer but only with the consent of both councils that are involved.

In the event of a dissolution of the church to which the minister (emeritus or otherwise) is officially bound, the consistory and the minister shall promptly request the advice of classis for the purpose of having his credentials held by another church of the classis in a manner consistent with Article 7 of the Church order.”

Our committee was directed to clarify the meaning of the first sentence of Church Order Article 10, “either by way of explanation or by amendment of Article 10”. In order to do so, we will compare the changes made to that first sentence of Article 10 and then provide a clarifying explanation of the language.

The first sentence of Church Order Article 10 prior to Synod 2012 read:

*“Each church is to **provide adequately** for the minister of the Word and his family while he is serving that church, and should **contribute toward** the retirement and disability needs of his minister.”*

The first sentence of Church Order Amended at Synod 2012 (Acts of Synod p.68) & Ratified January 2013 reads:

*“Each church is to **provide honorably** for its minister and his family while he is serving that church, and shall **provide for** the retirement and disability needs of its minister.”*

We believe this change from “provide adequately” to “provide honorably” is con-

sistent with our summary of biblical principles, which we restate here from page 4 of our report:

“God’s Word makes clear that financial compensation for the work of a minister is NOT to be based on benevolence but rather as a laborer in the kingdom he is to be honorably compensated for his work while called to a church and for his retirement.”

This wording change in Article 10 clearly indicates that the churches do not view ministerial compensation as providing what is just “adequate” or providing simply a subsistence existence. Surely, we have agreed that compensation should not fall below subsistence levels such that a minister would find himself needing benevolent assistance. Rather, the term “honorably” reflects the sense of the esteem and value we place on the gospel ministry. At the very least, by this 2012 Church Order change, the churches recognized that they are blessed and well served when ministers are not overly entangled in worldly concerns about their support. In summary, the honor of office should be maintained both during *active ministry* and during the *time of emeritation* when ministers can continue to serve the churches as seasoned and wise fathers.

Also, the wording change from “contribute toward” to “provide for” is significant in that it reflects a more comprehensive and fulsome view of the responsibility a church toward its minister. The idea of “contributing toward” can suggest one has simply fulfilled their duty by being just one contributor at any level among many contributors, including the minister. This could tempt a church to think it does not have the *primary* responsibility for the *overall care* of the minister in accord with the dignity of the office. It is our view that “providing for” the retirement needs of the minister is an acknowledgment of a responsibility beyond just making a “contribution” that does not realistically provide for the actual retirement or disability needs of the minister. Additionally, it is good to be reminded that the guideline retirement provision level (currently 5-10% ; 10-20% recommended herein) is what the *church* should be aiming to provide *above* any ministerial contribution.

Having explained this changed emphasis on the responsibility of the church towards its minister regarding compensation and retirement, we still believe an amendment to Article 10 is needed to clarify the minister’s responsibility to obtain life insurance to make provision for his dependents after his death.

Recommendation #7. That the first sentence of Article 10 be amended to read (italicized language added):

Each church is to provide honorably for its minister and his family while he is serving that church *to meet all his financial needs including ensuring the minister obtains his own sufficient life insurance*, and shall provide for the retirement and disability needs of its minister. In the event of a minister’s death, adequate provision shall be made for the support of his dependent wife and children.

Grounds:

1. The obligation is still with the church to provide honorably which means assistance upon death or disability should not even be necessary.
2. The obligation is with the minister to obtain sufficient insurance to provide for his family upon his death (not unlike members of the congregation)
3. Eliminate the ambiguity as to what is expected of both the minister and the church. A minister bears the primary responsibility to provide for the support of his family upon his death.

Recommendation #8. That Synod receive the report of this committee with thanks and discharges the committee as having completed its mandate.

Submitted by,
Rev. Hank Van der Woerd
Rev. Henry Van Olst
Robert Huisjen
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APPENDIX A - Retirement Plan Survey
Summary of Results – URCNA – Canadian Ministers
12/14/2013

Overall Support

Out of the 31 responses received from the Canadian Ministers, 74% were in favor of a federation sponsored retirement plan, 10% were against, and 16% responded “unsure”.

General

77% of the pastors responded that their church has made no plans to support them past their current employment relationship. This lack of provision was echoed by the retired ministers who responded:

“I found (find) it humiliating after serving the churches that I now need to go to the deacons of my home church in order to provide for my wife and myself. While I am still able to preach we can get by but when I am no longer able or there are no more opportunities, I will again have to look for diaconal assistance.”

“As indicated above, I have not received any provision from any church for any of the above; ever. As a matter of fact, no church has so much as inquired about my financial situation; ever. To my mind, the message is clear: Once a pastor in the URCNA has reached retirement age (or must retire because of circumstances beyond his control) he is on his own. And, were he (thereafter) to become desperately needy, he must be able “to prove that” before he will be ‘granted’ diaconal care.”

Retirement Savings

The overall average salary is \$55,025 and average housing allowance is \$17,704 for an overall total of \$72,729.

The average salary and housing allowance for a minister of a church with less than 20 families is \$52,438. The average salary and housing allowance for a minister of a church with 21 to 100 families is \$63,938. The average salary and housing allowance for a minister of a church with more than 100 families is \$84,075.

80% of churches are currently contributing to their pastor’s retirement in the average amount \$4,854 per year. 48% of the ministers reported making personal contributions to their retirement plan. The personal contribution to their retirement averages \$1,125 per year.

68% of the churches responding are meeting the 5% of gross salary test established in Synod 2001.

Approximately 55% of the churches meet regularly with their pastor to determine if they are able to save adequately for retirement.

39% of the ministers responded that their ability to save for the future was never discussed.

55% of the ministers responded do not consult with a financial planner about their retirement needs.

65% of the Canadian ministers are 15 years to retirement (two are currently at retirement age). Of those ministers who are 55 years old or older, 58% of them have less than \$80,000 invested in RRSP's (42% less than \$40,000). Of those ministers who are 50 years old or older, 58% of them have less than \$80,000 invested in RRSP's (37% less than \$40,000).

100% of the pastors plan to continue working after retirement, and 23% of those reported they will either need to or want to supplement their retirement income (100% of these respondents were ministers over the age of 50).

61% of the ministers plan to retire between the age of 65 and 70.

Own House vs. Parsonage

77% of the ministers reported owning their own home. 4 ministers reported living in a parsonage.

The average salary for ministers living in a parsonage is \$55,425, which is \$400 more than the average for all ministers. However, ministers who own their own home receive an average additional \$17,700 per year for housing allowance. This "extra" money represents additional income / equity accumulation that ministers who live in a parsonage do not have.

23% of the ministers responding stated they would not be able to purchase their own home when they are ready to retire.

Long Term Disability

9 ministers (29%) reported that they do not have a disability policy. 5 of them were pastors to churches with less than 20 families.

Medical Coverage

16% of the ministers reported that they do not have any medical coverage.

APPENDIX B Retirement Plan Survey
Summary of Results – URCNA – US Ministers
12/14/2013

Overall Support

Out of the 31 responses received from the US Ministers, 51% were in favor of a federation sponsored retirement plan, 29% were against, and 20% responded “don’t know”.

Retirement Savings

The average salary is \$42,831 and average housing allowance is \$22,749 for a total of \$65,580. 84% of churches are currently contributing to their pastor’s retirement in the average amount \$4,774 per year, or 7.2% of the avg. salary and housing allowance. Pastor’s personal contribution to their retirement averages \$3,267 per year, or 5% of the avg. salary and housing allowance.

75% of the churches responding are meeting the 5% of gross salary test established in Synod 2001.

Approximately 65% of the churches meet regularly with their pastor to determine if they are able to save adequately for retirement.

87% of the pastors plan to continue working after retirement, and 22% of those reported they will need to in order to supplement their retirement income.

The avg. age the respondents plan to retire is at 68.5 years old.

Own House vs. Parsonage

65% of the ministers reported owning their own home, while the other 35% reported living in a parsonage. 13% of the ministers responding stated they would not be able to purchase their own home when they are ready to retire.

Long Term Disability

29% of the ministers responding stated they are inadequately provided for in regard to long-term disability.

Social Security

Approximately 50% of the respondents reported they have opted out of social security. Of those respondents, only 2 of them are failing to put away at least 5% of gross salary towards retirement.

APPENDIX C – Summary of other Churches regarding Pension

Orthodox Presbyterian Church

The Orthodox Presbyterian Church Retirement Equity Fund (Pension) provides a supplement to any retirement plans or other provisions made by individual ministers (e.g. Social Security). This “supplementary” plan has grown from its original 61 participants into an established retirement plan with over 275 current participants and over \$19 million in assets. In addition, the OPC has established a Pension Supplement Fund to provide supplemental benefits for ministers and their spouses who were over 65 with twenty years of service prior to December 31, 1988. That plan currently provides benefits to 13 ministers and surviving spouses.

The OPC also established a Group Voluntary Life plan to provide additional life insurance coverage for ministers, ruling elders, deacons and licentiates of OPC churches, and full-time employees of churches and denominational agencies.

Reformed Presbyterian Church North America

The RPCNA provides a supplemental pension plan funded through employer contributions and optional employee contributions. The employer contribution targets are set by Synod. The employer currently contributes approximately \$4000 per year, and the employee has 5 investing options to choose from. The plan is intended to be supplemental to Social Security, not an exclusive retirement plan. The RPCNA has about 70 churches and the plan has been well received since it was established in 1976. The plan also provides an option for disability payments, spouse survivor benefits, and withdrawals of employee contributions.

Canadian and American Reformed Churches

The Canadian and American Reformed churches have a Superannuation Fund (“Fund”, for short) that operates similar to a defined benefit pension but is not in any way a pension fund. The Fund assesses the member churches (all of the Canadian Reformed Churches as well as the American Reformed Churches) based in part on whether they have an active minister or not and the monies collected are professionally invested. The Fund does not accrue benefits for anyone and it does not deal with the retired ministers or their widows whatsoever. Collecting the assessments this way recognizes that most ministers serve several congregations during the span of their career but it is the last one that they serve that is financially responsible for them when they retire. The Fund does not distinguish between Canadian and American churches/ministers. The Fund “transacts” in Canadian funds so if one of the American churches becomes responsible for a retired minister that church will receive exactly the same benefit as would a Canadian church. The churches, in turn, are responsible for making their own arrangements with the retired minister or widow.