



Employer Provisions

501 Dues

Benefits Plan References

Article V Dues

Original Date

01/17

Replaces: Administrative Rules 112, 114, 116, 307

Effective Salary

Effective salary refers only to compensation received from the member's employer. It does not, for example, include payments or gifts received from other employers, other organizations or groups, or individuals.

Effective salary includes all compensation subject to federal income tax and some compensation and benefits that are excluded from tax, such as housing allowances, certain deferred compensation plans, and certain pretax benefits offered by employers. Certain pretax benefits are not included in effective salary if the benefits are offered to all employees. The current taxability of particular compensation under federal and state income tax laws does not determine whether it is included in effective salary.

The effective date for any salary change, including bonuses, must be within 60 days of the current date. There will be no adjustments to salary after the date of death or the onset of disability.

Specific Types of Payments

For questions about taxes associated with a form of payment, call your tax adviser. The Board's service representatives may answer effective salary questions but are not qualified to provide tax advice (e.g., on federal income tax, FICA, or SECA).

Form of Payment	Is it included?	Explanation
Annual Cash Salary	Yes	The full amount of gross cash compensation paid to the member must be included in effective salary. The annual salary or 12-month salary must be reported. For example, if the salary is \$20,000 but the member starts July 1, report the annual salary of \$20,000, not the amount the member receives for the part of the year he or she works.
Book Allowance	No	It is not included if it is reimbursed to the member through an accountable reimbursement plan.
	Yes	It is included if it is a lump-sum amount paid directly to the member and not a reimbursement processed through an accountable reimbursement plan.

Form of Payment	Is it included?	Explanation
Bonuses	Yes	An adjusted effective salary incorporating the actual amount of the bonuses must be reported within 30 days of the award. Pension credits for the bonus are accrued during the year in which the bonus is paid.
Car Allowance	No	It is not included if it is reimbursed to the member through an accountable reimbursement plan.
	Yes	It is included if it is a lump-sum amount paid directly to the member and not a reimbursement processed through an accountable reimbursement plan.
Copayment Reimbursement	No	It is not included if the member's copayment amounts are paid or reimbursed by a third party as part of a supplemental wraparound plan provided by the employer (under Internal Revenue Code Sec. 105) on a group coverage basis to all employers or members of the sponsoring governing body.
	Yes	It is included if the copayment amounts are paid or reimbursed to the member by the employer on an individual basis, even if the payments are made through a flexible spending account (FSA Sec. 125 Plan).

Form of Payment	Is it included?	Explanation
	Yes	It is included if the member's copayment amounts are paid or reimbursed by a third party as part of a supplemental wraparound plan provided by the employer on an individual basis. The amount includes the dues or premiums paid by the employer for that coverage, not the benefits actually received.
Deductible Reimbursement	No	It is not included if the member's deductible amounts are paid or reimbursed as part of a Health Reimbursement Arrangement (HRA) or supplemental wraparound plan provided by the employer (under Internal Revenue Code Sec. 105) on a group coverage basis to all employees of that employer or members of the sponsoring governing body.
	Yes	<p>It is included if the deductible amounts are paid for or reimbursed to the member by the employer on an individual basis, even if the payments are made through an FSA (Sec. 125 Plan).</p> <p>It is included if the member's deductible amounts are paid or reimbursed by a third party as part of an HRA or a supplemental wraparound plan provided by the employer on an individual basis. The amount includes the dues or premiums paid by the employer for that coverage, not the benefits actually received.</p>
Deferred Compensation Elective Contributions and Certain Employer Contributions (See below for treatment of matching employer contributions to the Retirement Savings Plan.)	Yes	<p>Deferred compensation plans (funded and unfunded) include employer and member contributions to 403(b) plans [including the Retirement Savings Plan of the Presbyterian Church (U.S.A.)], Rabbi trusts, and other forms of funded and unfunded deferred compensation arrangements. These arrangements are generally elective and negotiated as part of an individual member's overall compensation package. As long as the member has a legally enforceable right to the deferred sums at some time in the future, the sum set aside in a given year to reserve for that obligation is included in the member's effective salary that year.</p> <p>If an employer offers to match elective contributions made to the Retirement Savings Plan, the employer match portion of the contribution is not included in effective salary.</p>

Deferred Compensation Matching Employer Contributions	No	Employer contributions made to the Retirement Savings Plan of the Presbyterian Church (U.S.A.) to match elective contributions by employees are not included in effective salary. Any match program must be available universally to all eligible employees.
Down Payment	Yes	If any amount for a down payment on a house/condominium is given to the member or paid for the member outright (that is, without the stipulation that the member must pay it back), it is considered compensation and is included in effective salary.
Dues/Benefits Plan	No	The amount paid by the employer represents that organization's share of the funds needed to provide the benefits to all members of the Benefits Plan. The amount is not tied to the sum required to fund the promised benefits to the individual members.
Equity Allowances	Yes	Sums paid or contributed by an employer to a deferred compensation plan or other account on behalf of a member residing in a manse to compensate for equity which the member forgoes by not owning his or her own residence are included in effective salary. See Deferred Compensation for additional details.
Flexible Spending Account	Yes	See Section 125 Allowances.
Furnishings	Yes	These arrangements are generally elective and negotiated as part of an individual member's overall compensation package. If a member lives in a manse and receives an additional allowance for utility services and/or furnishings, the additional allowances are included in effective salary, in addition to the 30 percent manse amount.

Gifts from the Employer	Yes	Gifts of cash given to the member by the employer are included in effective salary because they are compensation in addition to annual cash salary. Adjustments to the annual effective salary because of the gift must be reported within 30 days of the gift being given. Dues and pension credit accruals will be adjusted retroactively.
Gifts from Others	No	Gifts from private donors are not included in effective salary.
Health Reimbursement Arrangement	No	An option under which expenses paid for medical or other healthcare services not reimbursed by the Medical Plan, such as vision, hearing, dental care, and cost-sharing requirements (such as deductibles and copayments), are reimbursable by the employer on a nontaxable basis, provided that Internal Revenue Code Sec. 105 requirements are met. Also see Deductible Reimbursement.
Honoraria	No	These are gifts for services provided to an organization other than the employer and are not included.
Housing Allowance	Yes	This allowance is an elective portion of an individual member's compensation package. For this reason, it is included as part of effective salary. The housing allowance amount is designated annually by the session or employer in advance of payment. Effective salary also includes any amount designated as housing allowance and used to pay rent to the employer. Rent reported as housing allowance for the employer-provided housing is the fair market value of the housing as determined annually through appropriate means.
Insurance Premiums (Group Policies)	No	Premiums for group coverage provided by an employer to all employees are not included.
Insurance Premiums (Individual Policies)	Yes	Premiums for individual insurance policies (e.g., auto, disability, life, supplemental medical), other than dues for participation in the basic benefits provided by the Benefits Plan of the Presbyterian Church (U.S.A.), that the employer pays or reimburses the member for at his or her request are included in effective salary. Subscription dues for optional coverage under the Benefits Plan paid for by the employer are included in effective salary on the same basis.
Loan Forgiveness	Yes	Loan forgiveness is reported as effective salary.

Loans —Principal	No	The principal of the loan is not included in effective salary because it will be paid back to the lender.
Manse Value	Yes	A manse may only be designated if provided to a minister of the Word and Sacrament and commissioned lay pastor and the rental value of the manse is included in effective salary. The amount included shall be at least 30 percent of all other compensation included in effective salary. If utility or furnishings allowances are provided, those allowances are included in effective salary, in addition to the manse value defined above.
Medical Expense Reimbursement	See Copayment Reimbursement and Deductible Reimbursement.	
Mileage	No	This professional expense, if reimbursed through an accountable reimbursement plan, is not included. See Car Allowance.
Overtime	Yes	Overtime pay must be reported in January each year for the preceding year and will be credited to the year for which it was paid. Dues will be billed retroactively.
Rent Allowance	See Housing Allowance.	
Section 125 Allowances	Yes	These allowances are voluntary salary reductions from a member's cash salary. Therefore, they are included in effective salary.
Self-Employment Contributions Act Reimbursements	Yes, in excess of 50 percent.	SECA tax is generally 15.3 percent of the minister's net income. If the employer pays for or reimburses the minister more than 50 percent (7.65 percent) of this expense, then the amount in excess of 50 percent (7.65) of the expense is included in effective salary.
Loans — Interest-Free	Yes	Interest savings to the member because of the nature of this type of loan are included. The amount of interest included in the effective salary calculation is that amount reportable under federal income tax laws.

Severance Pay	Yes	<p>A severance payment is any money given by an employer to a Benefits Plan member in association with the member’s termination of eligible service, regardless of the description of that payment (e.g., gift, goodwill payment, payment for unused vacation). The presence or absence of a formal written agreement is not a factor when determining if the payment is considered severance.</p> <p>Dues are payable on any and all components of effective salary that are part of the severance arrangement. This applies whether or not the severance arrangement provides that the employer continues to pay for benefits and whether the severance payment is paid as a lumpsum or in installments.</p> <p>When a severance arrangement extends the terminated employee’s benefits beyond the last day worked, dues continue as if the employee were still on the payroll until the date specified in the arrangement.</p> <p>When a severance arrangement does not extend the terminated employee’s benefits beyond the last day worked, dues are paid in a single payment on all components of effective salary included in the severance payment, based on the member’s level of benefits participation on the last day worked.</p> <p>Severance payments must be reported in advance of or immediately upon termination. If applicable, adjustments to dues and pension credits will be made for the year in which the payment is made.</p>
Study Allowance	No	It is not included if it is reimbursed to the member through an accountable reimbursement plan, provided for studies that are related to employment, and undertaken in the current year.
	Yes	It is included if it is a lump-sum amount paid directly to the member and not a reimbursement processed through an accountable reimbursement plan nor given to the member for studies completed before the current year.
Study Leave	Yes	Pay during study leave is generally part of an employee’s annual cash salary and constitutes compensation included in effective salary, even though the member is not working.
Tax-Deferred or Tax-Sheltered Annuities	Yes	These allowances are voluntary salary reductions from a member’s cash salary. They are , therefore, compensation to be included in effective salary.
Utilities Allowance	No	If a member lives in a manse and the utility services are maintained in the employer’s name and paid for directly by the employer, the value of those services is not included in effective salary.

	Yes	These allowances, if paid directly to the employee, are included in effective salary. If a member lives in a manse and receives an additional allowance for utility services and/or furnishings, the additional allowances are included in effective salary, in addition to the 30 percent manse amount.
Vacation	Yes	Vacation pay is generally part of an employee’s annual cash salary, even though the member is not working; it constitutes compensation included in effective salary.
Wraparound Plans	See Copayment Reimbursement and Deductible Reimbursement.	

When To Report Additional Compensation to the Board

See knowledge base article on effective salary.

Transitional Participation

Transitional participation coverage is available on a self-pay basis to members in Pastor’s Participation and graduated seminary students who were enrolled in the Medical Plan whose Benefits Plan membership terminates when their status is one of the following:

- actively seeking church-related employment
- enrolled for full-time, postgraduate church-related studies (not including graduates who retain eligibility for seminary student status)
- on a leave of absence from current employment and returning to same employer
- subject to a disciplinary process

Members may choose to continue coverage in any of the plans, including optional plans, they were enrolled in as active members with the following exceptions:

- Seminary students who were enrolled in the EPO coverage option will have to elect the PPO coverage option in Transitional Participation
- Members may not contribute the Retirement Savings Plan of the Presbyterian Church (U.S.A.) (RSP) because there is no salary from an employer. However, employers may make post-employment contributions to a former employee’s RSP for up to five years from the date of employment termination.
- Members may not continue participation in supplemental disability benefits coverage.
- Members may participate in annual enrollment for the supplemental death benefits coverage.

Members are not eligible for transitional status if they have a past-due balance from a previous self-pay status. To qualify, they must pay the balance in full on or before the date transitional coverage is to start.

Coverage Period

In addition to any free coverage period the member may be entitled to, the transitional participation coverage periods are as follows:

- for ministers of the Word and Sacrament whose presbyteries verify annually in writing that they are actively seeking church-related employment — up to 24 months
- for members doing postgraduate study — the duration of their studies but no more than five years (The presbytery of jurisdiction or former employer must verify annually in writing that the studies are church-related, and the educational institution must annually verify full-time student status in an advanced degree program.)
- for members under censure or appealing a disciplinary resolution, as verified by the presbytery of jurisdiction or permanent judicial commission — up to five years (If the member does not immediately return to active service following resolution, he/she may remain on transitional status provided that he/she was not on disciplinary status for more than two years. Total coverage period may not exceed five years.)

When members exhaust their eligibility for transitional participation coverage, they may enroll in medical continuation coverage.

Payment

Members pay pension, death and disability, and/or medical dues¹ based on one of the following:

- most recent effective salary
- congregational ministers' median salary

Dues for seminary students are based on the minimum dues rate/participation basis.

Any optional coverage will be billed at current subscription rates.

Abolishment of Installed Position

Abolishment of a position means that the installed position no longer exists at the church. Because the presbytery approves the creation of installed positions, the Board requires written presbytery confirmation that the position has been abolished before updating its records. An authorized presbytery leader, such as the Executive Presbyter or General Presbyter, shall sign the confirming letter.

¹ Dues for Member-only coverage are based on medical continuation Member-only rate.