

BACKGROUND

re Church Extension Committee report 16

Dear Brothers

As usual we based our annual calculation of the recommended minimum stipend on the Stipends & Allowances advisory issued by the Presbyterian Church. As advised in our letter to the churches of 21 February 2008 and in the report to Synod, in addition to the normal CPI increase to stipends, this document specified changes to the seniority allowances. The advisory gave no indication that this was based on any particular rationale.

We have been alerted to the fact that a report reviewing ministerial remuneration had been prepared for the Presbyterian Synod and that the change in seniority allowances was a consequence of that report. We have obtained and studied a copy of this report and wish to make the following comments to help sessions consider the recommendations of our own report.

Review of Ministerial Remuneration

A Stipend Review Task Group was asked to review Presbyterian ministerial. It did this by surveying all Presbyterian ministers to get quantitative information on their financial position as well as obtaining expert advice and submissions from various groups in the church.

It discovered that there was widespread dissatisfaction by a large number of ministers in many areas of their stipend/remuneration. 71% of those who responded felt the stipend was inadequate and in many cases spouses were working to supplement the family income. For those who relied totally on the stipend 33% were having difficulty paying their bills. Half of ministers had no form of retirement savings apart from the Presbyterian Church's equivalent of the Emeritus Fund.

The Task Group also attempted to compare their remuneration with other denominations and discovered that Presbyterians and Methodists had the lowest stipends.

The Task Group concluded that the Presbyterian Church had treated its ministers quite poorly in recent times and felt that the level of stipend had not been consistent with the accepted definition of stipend (i.e. to enable ministers to devote their whole time and talents to the services of God through the church and that the income provided would enable ministers to perform these duties without due concern for their economic stability).

They therefore recommended an increase in the stipend and associated payments to a level that meets the definition of stipend.

The Task Group noted that if adopted it might mean that a number of churches would no longer be able to afford a minister, which in turn would result in 'significant rationalisation' of congregations. Nearly one-third of the submissions they received expressed concern about the viability of parishes already struggling financially. Nevertheless they felt that they had to redress the balance.

[In our situation the CEC notes that unlike the Presbyterians, who have a prescribed scale, our own churches have always treated the recommended stipend as a minimum and individual churches have the freedom to pay above the minimum to suit their own circumstances. We would hope that our sessions have taken seriously their responsibility to provide a realistic stipend as defined above, and have discussed this

matter annually with their minister. We don't believe that the situation discovered in the Presbyterian church is equally applicable in our own circles and we have had no feedback to suggest this.]

As a result the Task Group recommended that target ministerial remuneration for a minister with over 10 years experience be increased by \$5,490 (being an increase of 13.5%) over a period of two years.

They also recommended that in future the basic stipend be indexed to the Average Weekly Earnings Wage Index rather than the Consumers Price Index as at present.

The reason for this is that using the CPI was seen to be one of the reasons ministers have found their financial position deteriorating. For example over the 15 year period between 1989 and 2004 the Average Weekly Earnings Wage Index moved up 52.4% whereas the CPI, and therefore the basic stipend, over the same period moved up 38.4%. This is a differential of 14%. The proposed increase of 13.5% could therefore be seen as merely restoring the relative position as at 1989.

Unfortunately in order to achieve their desired target the Task Group found they were unable to simply increase the basic stipend because it would have caused huge problems with their Beneficiary Fund, which has a 'defined benefit' tied to the basic stipend. If the basic stipend was raised it would have meant their Beneficiary Fund might have become insolvent. They got around this by a technicality, creating a 'Ministry Experience Allowance' with three steps. The seniority allowance was to be abolished and the basic stipend was applicable only for the first year of ministry. Effectively the stipend plus 2-5 year ministry experience allowance was really their new basic stipend.

When the proposal was discussed at the Presbyterian Synod it confused the issue and decided to treat the 'Ministry Experience Allowance' as a new Seniority Allowance to replace the old seniority allowance which was abolished.

Other relevant decisions were to:

1. accept the proposal to index the stipend to the Average Weekly Earnings Wage Index
2. give parishes the discretion to pay up to 20% above the basic stipend
3. encourage parishes to regularly review with their minister the adequacy of their financial package
4. review ministerial remuneration no later than 2013

There were some other decisions regarding general conditions which are not directly relevant to this discussion.

One matter to be kept in mind when comparing our situation with that of the Presbyterian Church, is the difference with regard to the provision of motor vehicles.

The Task Group found that 93% of ministers were expected to provide their own vehicle and over half were not able to replace their vehicles at least every seven years without undue financial hardship. The reimbursement rate for running costs had not been reviewed since 1996 so were now inadequate. A committee was charged with urgently reviewing mileage rates and doing so every two years.

On the other hand, generally in our churches a vehicle is provided by the church and running costs paid by the church. Using the latest AA calculation published in 2005 the total cost including depreciation of an average vehicle is \$11,410 per annum

(14,000 km @ 81.5c/km). Probably most of our churches are spending their money a little more carefully than this, but nevertheless it does mean that our ministers have a significant comparative advantage over the Presbyterians.

Conclusion

What seemed at first to be a generous seniority allowance was in fact an increase in the basic stipend. Unfortunately, due to an adverse impact on the Presbyterian Beneficiary Fund, the increase was masked by the technicality of retaining the old basic stipend for the first year of service and then applying the increase from the second year on. Further, the Presbyterian Synod has confused things, and possibly itself, by calling the stipend increase a new seniority allowance. In addition the impact is minimized in the first year due to the cessation of the old seniority allowance but will have its full impact next year.

The tables below show this impact. This year a 2nd year minister received a 3.0% increase on top of the normal 3.1% CPI adjustment and an 11th year minister a 4.8% increase on top of the 3.1% CPI. Next year the 2nd year minister will receive a further 3.0% increase giving a total increase of 6.0% plus the 3.1% CPI adjustment. In addition he will receive an increase according to the movement in the Average Weekly Earnings Wage Index which could be something like 4.0%. The 11th year minister will receive a further 8.7% giving a total increase over the two years of 13.5% plus this years 3.1% CPI and plus next year's Wage Index.

<i>Service years</i>	<i>Basic stipend</i>	<i>Old seniority allowance</i>	<i>Total stipend</i>
1 st	39,231	0%	39,231
2-5	39,231	0%	39,231
6-10	39,231	2%	40,016
11-15	39,231	4%	40,800
over 15	39,231	6%	41,585

	<i>Basic stipend</i>	<i>Interim New seniority allowance</i>	<i>Total stipend</i>	<i>Increase</i>	<i>Increase %</i>	<i>CPI Increase</i>	<i>Total increase %</i>
1 st	39,231	0%	39,231	-	0.0%	3.1%	3.1%
2-5	39,231	3%	40,408	1,177	3.0%	3.1%	6.1%
6-10	39,231	6%	41,585	1,569	3.9%	3.1%	7.0%
11-15	39,231	9%	42,762	1,962	4.8%	3.1%	7.9%
over 15	39,231	9%	42,762	1,177	2.8%	3.1%	5.9%

	<i>Basic stipend</i>	<i>Final New seniority allowance</i>	<i>Total stipend</i>	<i>Cumulative increase</i>	<i>Increase %</i>	<i>CPI Increase</i>	<i>Total increase %</i>
1 st	39,231	0%	39,231	-	0.0%	3.1%	3.1%
2-5	39,231	6%	41,585	2,354	6.0%	3.1%	9.1%
6-10	39,231	12%	43,939	3,923	9.8%	3.1%	12.9%
11-15	39,231	18%	46,293	5,492	13.5%	3.1%	16.6%
over 15	39,231	18%	46,293	4,708	11.3%	3.1%	14.4%

The Church Extension Committee was surprised and dismayed by the increases in the seniority allowance, without being aware of the history in the Presbyterian Church. Whilst we can now see the logic we are still a little uncomfortable with them. At least we want Synod to be clear that it is approving a substantial increase to stipends should it decide to accept the status quo. We would also like to know if the financial difficulties some ministers are having in the Presbyterian Church are in fact mirrored in our own.

However we are comforted by the fact that our churches are free to pay more than the minimum stipend and we are aware that many do so. In addition we hope that all sessions are taking seriously their commitment in the letter of call to provide for their minister so that they can be 'free from worldly care'. Perhaps this means that many of our churches are already paying stipends equivalent to the new levels and this increase is actually a non-issue. However it would be nice to know, and possibly we should survey the churches to get an understanding of what stipends and conditions, such as provision of vehicles, provision of computers etc, are actually being paid in our denomination.

The Presbyterians may be sanguine about the effect of these increases on the financial viability of their churches and the possible impact in terms of closures and mergers of churches. We don't have that luxury and should take our smaller churches into account.

Hence our recommendation 8 in Report 16 to Synod 2008 remains –

That Synod give the Church Extension Committee guidance as to:

8.1 the necessity for seniority allowances to be included in the standard minimum stipend and

8.2 if so, the proper level of such allowances.

Respectfully submitted
Church Extension Committee
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