

RESPONSE to the February 8, 2008 actions of the Executive Committee of the Board of Pension re Tentmakers and Part-time pastors.

“As approved by the 217th General Assembly (2006), Item 15-04 directed the Board of Pensions “to study the pension and medical insurance needs of particular churches served by part-time pastors such as tentmakers, and to consider new guidelines to allow flexibility for participation of churches served by these pastors.”

Item 15-04 began as a request of the Session of the Yaphank Presbyterian Church, Yaphank, New York, to the Presbytery of Long Island. After considerable discussion the Presbytery of Long Island overtured the 217th General Assembly (2006) to direct the Board of Pensions to study the pension and medical insurance needs of churches served by Tentmaker/Part-time pastors, and to consider new guidelines to allow flexibility for participation of churches served by Tentmaker/Part-time pastors.

We believe that the original reasons for this overture are still true and that the response of the Board of Pensions, though appreciated, does not answer directly the need for greater flexibility when addressing the needs of Tentmakers and Part-time pastors.

The Original Rationale:

One third of all Presbyterian congregations have less than 100 members. Most of these small churches have limited financial means and are not able to have full time pastoral leadership.

Consequently clergy leadership is provided in numerous ways including that of yoked parishes, stated supplies provided by clergy serving other institutions (universities, seminaries, prisons, hospitals, etc.) retired pastors, lay pastors, and by tentmakers.

Tent maker pastors receive their income from both church and non church employment. Such arrangements require a great deal of flexibility by both employers due to the wide variety of salary and benefits packages offered in the private/public sector.

Though the Board of Pensions has in recent years started offering alternative pension and medical plans, tent maker pastors and their congregations still have difficulties in interfacing with the present plans and policies of the Board.

Because of private sector employment pension and medical plans, or lack thereof, of both the clergyperson and his or her spouse, the unbundling of medical and pension plans needs to be considered by the Board.

Likewise an examination of the 20 hour per week minimum for pension/medical participation and the possible lowering to 16 hours per week would be beneficial for both small churches and their tent maker pastors. Such a change need not affect the present minimum payments required for participation in the pension and medical plan.

In an era of growth regarding benefit cafeteria plans for American workers there is a need for flexible human resource policies and practices for clergy serving small Presbyterian congregations and other ministries.

The future of many small congregations lies with their ability to attract qualified tent maker pastors. Offering the benefit plans of the Presbyterian Church (USA) Board of Pension is a plus for attracting such pastors.

NOTE: We believe that this action should have minimal financial impact on the Pension/Medical/Dental Program of the Presbyterian Church (USA).

- a) Medical/Dental will remain at the annually adjusted rate of the median salary presently in force.
- b) Pension percentage could either remain at the annually adjusted rate of the median salary including manse as presently in force or could be lowered to the basic pension percentage of the actual salary including manse. (The later approach would result in a smaller pension for the clergy person upon retirement)
- c) The basic impact would be lower salary costs (including taxes) to the church as well as possible lower payroll taxes for the tent maker clergy.

CONCERNS REGARDING THE BOARD OF PENSIONS RESPONSE

There is no disagreement with the Board of Pensions regarding the wide diversity of hours, type of ministries, secular employment and the non-traditional activities of Tentmaker/Part time pastors. It is precisely for this reason that if we as a denomination/church are to attract qualified Tentmaker/Part-time pastors there is a need to provide better and more appropriate benefits for such individuals.

The major area of disagreement appears to revolve around the issue of what constitutes the legal standards for employment-based coverage. Citing the twenty hour per week eligibility requirement as a government and industry standard is somewhat disingenuous since there are many industry and government units that do not follow this policy. It is true that if you work for Radio Shack as a part-time employee you need to work 20 hours per week before you are eligible for benefits. But as Walmart has discovered there are forces within our society that consider such a level as unfair to part-time workers.

It is also true that in New York State, defined benefit pensions are offered to members of various special districts, including Fire, Parks, and Sanitary, that do not meet the 20 hour minimum. Likewise board members of corporations and private businesses do not meet the 20 hour standard. Additionally it should be noted that there are numerous businesses in New York City that, due to the long commute hours of employees, follow a 35 hour work week, half time thereby being 17.5 hours per week.

If the church jurisdiction, be it parish, presbytery, synod, general assembly or other, pays the full pension dues on a less than twenty hour staff person, there should not be a negative effect on the security of the pension plan. The only effect may be on the administration costs of the plan since it will entail a greater number of members, but those costs should already be included in the monthly dues presently collected.

The response of the BOP is also somewhat confusing as regards defined contribution plans. Does one understand a new flexibility and possible agreement with the original overture's request regarding the offering of these plans? Let the following statement from the BOP response speak for itself. "Through the BOP's Affiliated Benefits Program (ABP), a Minister of the Word and Sacrament not serving in a called position, a Commissioned Lay Pastor or another church worker may be eligible for enrollment in the Medical Plan, with or without Death and Disability Plan enrollment, but excluded from the defined benefit Pension Plan. In this circumstance, retirement income benefits could be funded through the Retirement Savings Plan, a 403(b)(9) defined contribution program, which allows contributions from employing organizations, employees or both. The ABP option, approved by the 212th General Assembly (2000) and available since 2001, was specifically designed to provide the flexibility in plan selection that the overture seeks." If one reads a twenty hour minimum as referred to in other sections of the response where is the flexibility?

It is unfortunate that the response of the Board of Pensions does not include any financial or actuary data to support their position. If such data were available it may be helpful for understanding the position of the Board, or it may indicate support for having more flexible standards. One important concern is that in our church we are facing the same dynamics of the American labor scene, a two tier system of benefits. Those who have a defined benefit pension plan and those who have a defined contribution pension plan. Some will argue that it is unfair to those who work two jobs in order to serve the church to be relegated to a less favorable plan.

As regards the medical plan, it is quite understandable that in light of present national health care debate that a viable and financially sound plan be provided by the Presbyterian Church. Major changes are occurring in the market place and cafeteria plans have become a part of the benefit plans of many corporations and government agencies. It is however, unfair and counterproductive to link the Pension Plan and the Medical plan in a way that causes Tentmakers/Part-time pastors to pay twice for a medical plan; one through the Board of Pensions and a second through either their own or their spouse's secular employer. With the rising costs of medical care this puts an unfair burden on such families. As with the pension plan, there were no calculations given regarding the cost of the various alternatives that the medical plan could provide.

With regard to retired pastors serving as tentmakers, it is encouraging to note that exceptions have been allowed in recent years for retired pastors to remain as called pastors in the church they have served. This enables the pastor to collect their Presbyterian Defined Benefits Pension while continuing to receive the appropriate

financial stipend from the church.. There is a need to further explain this process to the church in general.

We respectfully request that the Board of Pensions reconsider their determination regarding the need for a more flexible benefits plan for Tentmakers/Part-time pastors and Commissioned Lay Pastors. We request that the Board of Pensions meet officially with both the Association of Presbyterian Tentmakers and a selected cross-section of Part-time pastors in the denomination. We also request that the Board of Pensions develop a benefits brochure that would, in a positive way, encourage seminarians and other pastors to consider the advantages of being a Tentmaker/Part-time pastor in the Presbyterian Church USA. Without the strengthening of support for Tentmaker/Part-time pastors many small churches will be unable to obtain pastoral leadership in years to come.

To discuss this response or to raise additional questions/issues please contact the webmaster of the APT at rbwright1@aol.com or telephone (631) 475-3322 or write Rev. Ralph Wright, Yaphank Presbyterian Church, 65 Main Street, Yaphank, NY 11980.

ADDENDUM

Board of Pensions, Presbyterian Church USA
Executive Committee, Attachment 6, February 8, 2008, Page 4 of 7

As approved by the 217th General Assembly (2006), Item 15-04 directed the Board of Pensions *“to study the pension and medical insurance needs of particular churches served by part-time pastors such as tentmakers, and to consider new guidelines to allow flexibility for participation of churches served by these pastors.”*

In the overture, the concerns of clergy leadership in particular churches were raised, focusing primarily on small churches whose limited resources make it impossible for them to call full-time pastors. Their leadership needs then must be met in a variety of ways; the overture cites yoked parishes, stated supplies, and tentmakers as examples. Given that some of these part-time pastors have other employment and perhaps access to other benefit programs, the overture suggests that greater flexibility is required in the structure of the Benefits Plan designed and administered by the Board of Pensions (BOP), if the needs of these pastors are to be met.

Tentmaker is not a tightly defined category. Taking its name from the biblical model of Paul, who made his tents to support himself and his ministry, generally the term tentmaker is used to describe those who serve a congregation less than full time and have other employment as their primary source of income. Some are employed in academic settings; others have lay, secular employment.

The church has long understood that ministry does not easily lend itself to traditional definitions of “hours of service.” In studying those tentmakers who are members of the

BOP's Benefits Plan, we note that some report working as few as ten hours per week, others more than thirty. While there is a large disparity in their formal number of hours worked, there is no doubt that a minister will respond to a call from a hospital whether they have already worked the number of hours for which they are paid or not. Nevertheless, the Benefits Plan funding and benefits design is premised on certain assumptions. The assumptions currently used to define levels of service are based on the prevailing industry and government standards.

During its study, the BOP considered these concerns and notes the following:

- Benefits Plan participation in the Traditional Program (Pension, Medical and Death and Disability plan membership, with dues based on 31.5% of effective salary) is mandated by the *Book of Order* (G-14.0534) only for those Ministers of the Word and Sacrament serving as pastors in called and installed positions. As noted in the overture, a church can be served in many different ways. For some churches, choosing to be served by someone other than a called and installed pastor may solve the benefit cost problem in that participation in the Traditional Benefits Plan is not required.
- Through the BOP's Affiliated Benefits Program (ABP), a Minister of the Word and Sacrament not serving in a called position, a Commissioned Lay Pastor or another church worker may be eligible for enrollment in the Medical Plan, with or without Death and Disability Plan enrollment, but excluded from the defined benefit Pension Plan. In this circumstance, retirement income benefits could be funded through the Retirement Savings Plan, a 403(b)(9) defined contribution program, which allows contributions from employing organizations, employees or both. The ABP option, approved by the 212th General Assembly (2000) and available since 2001, was specifically designed to provide the flexibility in plan selection that the overture seeks.
- Because all components of the Benefits Plan, including the ABP, are designed to conform with legal standards for employment-based coverage, there needs to be a permanent employment relationship between each member and his or her employing organization for participation. The twenty hour per week eligibility requirement is a government and industry standard used to establish the existence of such a permanent relationship for any optional coverage. The *Book of Order* (G-14.0534) mandates that those serving in called and installed pastoral positions be enrolled in the Traditional Benefits Plan.

There currently exists significant flexibility in how to structure pastoral service arrangements to provide congregations with the options they need. In addition to the existing structural flexibility, the BOP also notes that it continues to study Plan design and eligibility issues in the context of the church community, with the 2008 Business Plan including “a forward-looking review of the Medical Plan, its membership, finances,

funding and underlying principles in the context of emerging developments in healthcare plan design, legal changes and denominational resources.¹

In other conversations with advocates of the original overture, a number of specific requests for changes to present Benefits Plan provisions were outlined and the BOP studied and considered each of these in turn, as described below.

Overture advocate's request: *Lower the fifty percent rule to forty percent as regards pensions with the understanding that the full payment as presently in place regarding medical insurance be continued for those engaged at the new forty percent level.*

BOP response: The “fifty percent rule” refers to the Benefits Plan eligibility requirement of twenty hours per week (or one thousand hours per year) for benefit coverage. As noted above, this is the prevailing government and industry standard for employer-based coverage requirements. The BOP has determined this to be a reasonable and uniform measure of a permanent employment relationship that qualifies for employment-based coverage and has based all of its funding and benefits formulas on this standard. The BOP realizes that church employers and presbyteries may have adopted other standards in connection with their minimum terms of call. The BOP must have a single standard to use as an assumption for its funding and benefit design. Any significant departure from the twenty hour assumption could adversely impact the median salary benchmarks and result in a decrease in benefits for other members or an increase in dues percentages for the larger community.

The twenty hour requirement is reasonable because the BOP assumes in most cases employment of less than twenty hours represents neither an individual's primary employment relationship, nor the primary source of support for a person or household. It has long been the BOP's position that medical coverage and other benefits should flow from an individual or household's primary employment relationship.

Overture advocate's request: *Separate pension and medical insurance for tent maker clergy so that they may be able to choose between medical plans of their other employment or of their spouses' employment and that of the Board of Pensions.*

BOP response: For those part-time clergy for whom ministry is the primary employment relationship, the Affiliated Benefits Program is available as described in the second bulleted point above.

However, to separate the components of the Traditional Benefits Plan would be inconsistent with the community nature of its design and funding. In the design of the Traditional Benefits Plan, individuals do not “buy coverage.” Rather, the

¹ Board of Pensions 2008 Business and Financial Plans, page 5

community nature of the Plan stretches across all its benefit components with dues paid on each participating position for the good of the whole, again across all programs. In consultation with the larger church, the directors of the BOP have reviewed these core principles a number of times and, although there are drawbacks to them, consistently determined that they continue to provide the best infrastructure for the Plan and its members as a whole. Any change to allow members to retain pension coverage while declining medical benefits would have to apply to all and could not be limited to a subset of members. A member who is part of a dual-income family or retired military, for example, might prefer to take advantage of other medical coverage if that option existed.

If a particular church does not want to participate in the community of the Traditional Benefits Plan, it has the option to seek pastoral service in ways other than a called and installed pastor. Then, in most instances, there is no obligation to enroll those who serve the particular church in the Benefits Plan. What is not offered is the opportunity to enroll an individual member for only those portions of the Traditional Benefits Plan that the individual believes will provide direct personal benefit.

Overture advocate's request: Allow tent maker clergy to participate in the defined contributions plan instead of the defined benefits plan of the Board of Pension when they are not eligible for inclusion in the present pension plan.

BOP response: This option is already available to those employed for twenty or more hours per week. The defined contribution plan (called the Retirement Savings Plan) is an employment-based program and the BOP uses the government and industry standard of twenty hours per week as the determinant of a permanent employment relationship.