

**BOARD OF PENSIONS
ADMINISTRATIVE RULES**

Section: 3 (Dues)	Subject: EFFECTIVE SALARY
Rule Number: 304	
Reference: Article II, Section 2.1 (Definitions) Article XVIII, Section 18.1 (Admin. of Plan) Article XVIII, Section 18.8 (Admin. Rules) Book of Order, Section G (Terms of Call)	Resource: Member Services Original Date: 10/6/94 Revision Date: 3/06, 1/08

The purpose of this rule is to identify the various types of compensation or reimbursement paid by employing organizations to Plan Members and to state whether that payment is included in or excluded from effective salary.

PLAN DEFINITION

The definition of Effective Salary (Sec. 2.1 of the Benefits Plan) is:

Effective Salary: Any compensation received during a Plan Year by a Benefits Plan Member from an employing organization, including but not limited to any sums paid as a housing (including utilities and furnishings) allowance. Effective Salary shall also include any deferred compensation (funded or unfunded) credited to **or contributed on account of** a Member by an employing organization during a Plan Year, **with the exception of any amounts contributed as an employer contribution to the Retirement Savings Plan under a matching contribution program that is available to at least all employees of the employer in the same employment classification,** and any salary reduction contributions to a plan or other arrangement providing a tax-favored benefit. Effective Salary does not include amounts received for reimbursement of professional expenses through an accountable reimbursement plan or Social Security amounts up to fifty percent (50%) of a minister's Self-Employment Contributions Act obligations. With respect to a Member eligible for a housing allowance, the amount for housing is calculated as follows: if a Manse is provided, the amount shall be at least thirty percent (30%) of all other compensation described above; if no Manse is provided, the amount shall be the actual housing allowance.

The Plan Year is January 1 to December 31.

Note: The manse or housing allowance for minister member couples will be reviewed on an individual basis.

GENERAL RULE

Effective salary only relates to compensation received **from the employing organization**. Amounts received from other employing organizations or persons are not included (e.g., honoraria, gifts).

Effective salary includes most compensation, whether received in cash, in kind, or in deferred form. Generally, fringe benefits only offered to individual employees, or where an employee can elect an optional or supplemental benefit in lieu of cash, are included in effective salary. Tax-free fringe benefits (other than housing-related expenses or fringe benefits in lieu of cash) are generally excluded if the benefit is offered to all employees. The current taxability of the compensation under federal and state income tax laws does not determine whether an item of compensation is to be included in effective salary. Any and all compensation, whether received in cash, in kind, or in deferred form, is included.

Reimbursements for business expenses actually advanced by the member on behalf of the employer are to be distinguished from compensation. True reimbursements for business-related expenses are not to be included in Effective Salary. Only **accountable reimbursed expenses** are excluded from Effective Salary, i.e., those expenses paid by the employing organization upon substantiation or an accounting from the member of the purpose, date, amount and place of the expenditure. (See Internal Revenue (“Code”) Reg. 1.162-17 and 1.274-5(e)(2) or Tax Guide for Ministers for further clarification of requirements for accountability of employer reimbursements.)

Generally, effective salary includes reimbursement of personal expenses and general lump sum allowances for which the member has no obligation to account to the employing organization.

SPECIFIC TYPES OF PAYMENTS

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/she works.
Automobile Allowance	See Car Allowance	

Book Allowance	No	It is <u>not</u> included if it is reimbursed to the member through an accountable reimbursement plan.
	Yes	It <u>is</u> included if it is a lump sum amount paid directly to the member and not a reimbursement processed through an accountable reimbursement plan.
Bonuses	Yes	An adjusted effective salary incorporating the actual amount of the bonus is to 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 <u>not</u> included if it is reimbursed to the member through an accountable reimbursement plan.
	Yes	It <u>is</u> 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 <u>not</u> included if the member's co-payments amounts are paid or reimbursed by a third party as part of a supplemental wrap-around plan provided by the employing organization under Code Sec. 105 on a group coverage basis to all employees of that employing organization or members of the sponsoring governing body.
	Yes	It <u>is</u> included if the copayment amounts are paid or reimbursed to the member by the employing organization on an individual basis, even if the payments are made through a Flexible Spending Plan (Sec. 125 Plan).

	Yes	It <u>is</u> included if the member's copayment amounts are paid or reimbursed by a third party as part of a supplemental wrap-around plan provided by the employing organization on an individual basis. The amount included is the dues or premiums paid by the employing organization for that coverage, not the benefits actually received.
Deductible Reimbursement	No	It is <u>not</u> included if the member's deductible amounts are paid or reimbursed as part of a HRA (Health Reimbursement Account) plan, or supplemental wrap-around plan provided by the employing organization under Code Sec. 105 on a group coverage basis to all employees of that employing organization or members of the sponsoring governing body.
	Yes	It <u>is</u> included if the deductible amounts are paid for or reimbursed to the member by the employing organization on an individual basis, even if the payments are made through a Flexible Spending Plan (Sec. 125 Plan).
	Yes	It <u>is</u> included if the member's deductible amounts are paid or reimbursed by a third party as part of a HRA (Healthcare Reimbursement Account) or a supplemental wrap-around plan provided by the employing organization on an individual basis. The amount included is the dues or premiums paid by the employing organization for that coverage, not the benefits actually received.

<p>Deferred Compensation -- Elective Contributions and certain Employer Contributions. (See directly below for treatment of Employer Matching Contributions to the Retirement Savings Program.)</p>	<p>Yes</p>	<p>Deferred compensation plans (funded and unfunded) include employer and member contributions to 403(b) plans (including the Retirement Savings Plan), 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 to be included in the member's Effective Salary that year.</p> <p>If an employer offers to match elective contributions made to the Retirement Savings Program, the employer match portion of the contribution is not to be included in Effective Salary.</p>
<p>Deferred Compensation -- Matching Employer Contributions</p>	<p>No</p>	<p>Employer contributions made to the PCUSA 403(b)(9) Retirement Savings Plan administered by the Board of Pensions to match elective contributions by employees are not to be included in Effective Salary. Any match program must be available universally to all eligible employees.</p>
<p>Down Payment</p>	<p>Yes</p>	<p>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), such an amount is compensation, which is included in Effective Salary.</p>
<p>Dues/Benefits Plan</p>	<p>No</p>	<p>The amount paid by the employing organization represents that organization's share of the funds needed to provide the benefits to all</p>

		members of the 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 employing organization 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. See Deferred Compensation for additional details.
Flexible Spending Account	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 to be included in Effective Salary, in addition to the 30% manse amount.
Gifts from the Employing Organization	Yes	Gifts of cash given to the member by the employing organization must be included in Effective Salary as they are compensation in addition to annual cash salary. Adjustments to the annual Effective Salary because of the gift are required to be reported at the time the gift is given. Dues and pension credit accruals will be adjusted retroactively.
Gifts from Others	No	Gifts from private donors are not included in the Effective Salary.
Healthcare Reimbursement Account	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 (deductibles and co-payments, for example) are reimbursable by the employing organization on a nontaxable basis provided that Code Sec. 105 requirements are met. See also Deductible Reimbursement.
Honoraria	No	These are gifts for services provided to an organization other than the employing organization and are not to be included.
Housing Allowance	Yes	<p>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 employing organization in advance of payment.</p> <p>Effective salary also includes any amount designated as housing allowance and used to pay rent to the employing organization. Rent reported as housing allowance for the employer-provided housing is the fair market value of the housing as determined annually through appropriate means.</p>
Insurance Premiums (Individual Policies)	Yes	<p>Premiums for individual insurance policies (auto, disability, life, supplemental medical, etc.), other than dues for participation in the basic benefits provided by the Benefits Plan of the Presbyterian Church (U.S.A.), that the employing organization pays for or reimburses to the member at his/her request are compensation to be included in Effective Salary.</p> <p>Subscription dues for optional benefit coverage under the Benefits Plan paid</p>

		for by the employing organization are to be included in Effective Salary on the same basis.
Insurance Premiums (Group Policies)	No	Premiums for group coverage provided by an employing organization to all employees are not to be included.
Loan Forgiveness	Yes	Loan forgiveness should be reported as Effective Salary.
Loans—Principal	No	Principal of the loan is not included in Effective Salary because it will be paid back to the lender.
Loans—Interest-Free	Yes	Interest savings to the member because of the nature of this type of loan are included. The amount of interest to be included in the Effective Salary calculation is that amount reportable under the federal income tax laws.
Medical Expense Reimbursement	See Copayment and Deductible Reimbursements	
Manse Value	Yes	If a manse is provided, the amount included shall be at least thirty (30%) of all other compensation included in Effective Salary. If utility or furnishings allowances are provided to a member residing in a manse, those allowances are to be included in Effective Salary in addition to the manse value defined above.
Mileage	No	May be synonym for car allowance. This is a professional expense which, if reimbursed through an accountable reimbursement plan, is not to be included.

Overtime	Yes	Overtime pay is to 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. They are, therefore, to be included in Effective Salary.
Self-Employment Contributions Act Reimbursements	Yes (50%)	If the employing organization pays for or reimburses the member more than 50% of this expense, then the amount in excess of 50% of the expense must be included in the Effective Salary.
Severance Pay	Yes	<p>A severance payment is any money given by an employing organization to a Benefits Plan member in association with the member's termination of eligible service regardless of the description of that payment (gift, goodwill payment, payment for unused vacation, etc.) by the employing organization. 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 which are part of the severance arrangement. This applies whether or not the severance arrangement provides that the employing organization continue to pay for benefit coverage and whether or not the severance payment is a lump sum or in installments.</p> <p>When a severance arrangement extends the terminated employee's benefits beyond the last day worked, dues continue until the date specified in the arrangement as if the employee</p>

deductible and/or copayment maximum requirements had not been met, the member's deductible and copayment limits also change. Any credit toward the deductible or copayment requirements is applied to the deductible or copayment requirement for the new participation.

The deductible and copayment maximum in effect on the date of service is applied, not the deductible and copayment maximum in effect when the claim is processed.

B. Reporting Additional Compensation to the Board

Some of the forms of compensation paid to members vary from year to year (e.g., bonuses, overtime, and reimbursements for deductibles, etc.). The amount that will be paid is unknown in the beginning of the year. As a result, no specific figure is included in the terms of call or when reporting this information to the Board of Pensions in the beginning of the year.

When should such amounts be reported to the Board?

- Reimbursements for deductibles and other medical out-of-pocket expenses should be reported in full in January for the prior year. No adjustment to manse value will be made for amounts reported under this provision.
- Bonuses received but not previously reported are to be reported within 30 days of receipt. Manse value (if any) will be adjusted for bonuses.
- Overtime pay should be reported in January for the prior year.
- Fixed allowances such as a car allowance of \$200/month are to be reported "up-front" with cash salary information.

Dues on Additional Compensation

Dues for the salary adjustments will be invoiced retroactively. Medical plan deductibles and copayment limits will be adjusted as described in Section A above.