

Staff remuneration

Responsibilities

Our church Constitution states the terms of remuneration for staff members are set by the administration committee¹. In accordance with the Constitution, the administration committee consists of 5 members being the senior pastor, and 4 persons approved by church members².

Framework

Lighthouse Church has an established framework which guides the administration committee's decision making in relation to staff remuneration. This ensures:

- a consistent approach despite changes in administration committee members and their particular philosophy and church/professional background
- objective and fair remuneration for staff including adjustments to allowances and/or entitlements
- our legislative obligations are met as an employer in relation to remuneration and entitlements
- decision making is sound, fair and transparent to staff and members
- the administration committee does not spend a disproportionate amount of time and energy reviewing and adjusting staff remuneration.

The key elements of this framework are outlined below in order of significance:

a. National workplace relations system

The national workplace relations system is a collection of legislation that applies to most employees and employers in Australia. It includes the Fair Work Act 2009 and National Employment Standards (NES). The NES provide minimum entitlements for employees in Australia. An employment contract cannot exclude the NES, or include conditions that are less than the NES.

<http://www.fairwork.gov.au/Employee-entitlements/national-employment-standards>

b. Guidelines for the Remuneration of Parish Ministry Staff

The Guidelines outline the model by which the Sydney Diocese of the Anglican Church set remuneration rates, allowances and entitlements for ministry staff. This Diocese has a significant group of professionals who spend considerable time and expertise in working out how ministers in Sydney will be paid. The Sydney area include a wide variety of socioeconomic suburbs

<http://www.sds.asn.au/assets/Documents/churchwardens%20and%20parish%20councillors/2014Remuneration/Guidelines2014.pdf>

c. Policies and practices of other FIEC churches

This primarily includes EV at Erina, and The Lakes at Berkeley Vale who also use the Guidelines for the Remuneration of Parish Ministry Staff as the basis of their remuneration model.

d. Established principles

A number of principles have been established by the administration committee to guide decision making on elements where the above sources require some discretion, for example, claiming ministry expenses.

¹ Lighthouse Church Central Coast Constitution (March 2018) Part 3.13 (6) and Part 7.46 (4)

² Lighthouse Church Central Coast Constitution (March 2018) Part 5.24 (1)

Elements of remuneration

Remuneration paid or provided to pastoral staff includes the elements below. Unless otherwise stated pro-rata calculations for payment of part time staff are based on a 6 day working week³.

A. Stipend

The stipend figure is adjusted annually, being indexed against the published *Guidelines for the Remuneration of Parish Ministry Staff*. The senior pastor's stipend was set at 80% of that of Sydney Anglican Diocese.

The stipend for other pastors is set at a percentage of the senior pastor rate. This is reviewed annually and adjusted on a merit basis with consideration of both experience and academic achievement, up to a maximum of 95% of the senior pastor rate.

The stipend amount is relatively low, as it is only one component of remuneration and is supplemented by other benefits and payments outlined below to take advantage of legislated taxation provisions for not-for-profit organisations to allow them to hire appropriately trained people at a lesser amount. The stipend is paid directly to staff and is therefore assessable income for tax purposes. Staff can 'sacrifice' up to 40%⁴ of the stipend into their Ministry Expense Account in which case it will not be subject to tax provided this complies with the rules relating to the Ministry Expense Account in this document (below).

B. Housing benefit

The *Guidelines for the Remuneration of Parish Ministry Staff* suggest a home should be provided and maintained for full time ministry staff. If this is not provided, a housing benefit 'of a reasonable value' should be paid as agreed between the ministry staff member and the 'parish council'⁵ as an essential remuneration component in addition to the stipend.

Lighthouse does not provide a residence and does not currently retain office space. Consequently a housing benefit⁶ is paid that is based on rent in the Wyong Shire⁷ with the number of bedrooms being the number of children plus 2 to a maximum of 5 bedrooms⁸. As 5 bedroom houses are not gazetted, the 4 bedroom rate plus 17.5% is used where applicable.

If church owned a residence for use by pastors, the location would be chosen by church based on a number of factors including economic considerations. For pastors already employed by Lighthouse, the housing benefit is paid based on rent in the Wyong Shire in the pastor's current location of residence. If a new pastor chose to live in a more expensive location, Lighthouse would not necessarily match the average rent for that area when making payment for the housing benefit.

The housing benefit is paid into the staff member's Ministry Expense Account. So long as the staff member has obtained suitable housing, the funds in the Ministry Expense Account may thereafter be spent in any way providing rules for the Ministry Expense Account are complied with.

³ *Guidelines for the Remuneration of Parish Ministry Staff 2016*

⁴ *Guidelines for the Remuneration of Parish Ministry Staff 2016*

⁵ *Guidelines for the Remuneration of Parish Ministry Staff 2016*

⁶ A benefit is a precise reimbursement of an incurred expense paid to, or on behalf of, staff. Benefits are not subject to tax for ministry staff (see *Guidelines - Section 3*). By contrast, an allowance is a cash payment paid direct to staff in anticipation of an expense being incurred. Allowances are subject to tax, although staff may be able to claim a tax deduction through their personal tax return (see *Guidelines - Section 3, 4.4 and 4.5*).

⁷ Initially this was based on the postcode of 2259, currently based on the rent in the postcode 2263 - the postcode in which church is currently located. In July 2015, 40 church families were in postcode 2259, 12 in 2262, and 23 in 2263.

⁸ www.housing.nsw.gov.au

C. Motor vehicle benefits

The *Guidelines for the Remuneration of Parish Ministry Staff* suggest the provision of a fully maintained motor vehicle, or payment of a motor vehicle benefit for ministry staff. The *Guidelines* provide rates for a motor vehicle benefit calculated with reference to the average overall costs of private ownership of four popular makes of vehicle as published by NRMA⁹. The benefit is comprised of:

- fixed component – to cover lease/loan repayments and interest, nominal depreciation, registration, insurance on a new vehicle held for five years
- variable component – to cover running costs such as fuel, vehicle service, tyres paid at a set rate per 1,000 km travelled .

Lighthouse utilises the annual motor vehicle benefits rates published each year in the *Guidelines* as a basis for providing a motor vehicle benefit for paid ministry staff. However payment of the fixed component is made at 60% of the rate recommended in the *Guidelines* recognising:

- a large portion of the costs with a new car relate to depreciation
- a 'near new' car meets the requirements of what is reasonably necessary to conduct work duties¹⁰.

To simplify payment of the variable component, this is paid on an estimated 12,000 km/year¹¹ at the rate in the *Guidelines*. Staff can maintain and submit travel logs for payment if the kilometres travelled in the course of work duties exceed 12,000 km/year.

Motor vehicle benefit are paid into the staff member's Ministry Expense Account. So long as the staff member has obtained, maintained and insured a suitable vehicle, funds in the Ministry Expense Account may thereafter be spent in any way provided the rules for Ministry Expense Account are complied with.

D. Utilities

The *Guidelines* indicate an agreed portion of utilities should be paid for staff where the residence is used for church business.

Communication

Lighthouse pays 90% of the telephone, mobile and internet expenses for full time staff (pro rata for part time staff). These communications expenses are addressed as Direct Ministry Expenses.

Note: Only the remaining 10% may be paid from the Ministry Expense Account, this is administratively complicated and not recommended.

Energy

Energy is paid at the actual estimated value for ministry use. In 2015 energy consumption was approximated at 125 kWh per month for home office and ministry usage. The value is adjusted annually, taking the average \$/kWh rate (from a recent senior pastor's bill) inclusive of 'discounts' and multiplying by 125. This benefit is paid monthly into the staff member's Ministry Expense Account (otherwise it would be a cash payment subject to tax).

⁹ *Guidelines for the Remuneration of Parish Ministry Staff*

¹⁰ Based on document 20140630 *Remuneration calculations.xlsx*

¹¹ Based on estimate - eg 15 trips per week x 15 km x 52 weeks

E. Direct ministry expenses

Direct ministry expenses are those expenses necessary for staff to perform their work duties which can be paid for directly by Lighthouse Church. This is not an entitlement and is not listed as income, but rather it is a system for paying for essential ministry related expenses, similar to the reimbursement of business expenses in secular employment. As with secular employment, these expenses do not include expenses which any other Lighthouse member would usually pay themselves, such as having someone over for a meal, or buying lunch during a work related meeting.

Direct ministry expenses may include work related:

- home office furniture and equipment
- IT requirements
- stationery
- approved education, training and professional development
- books and publications (to an agreed maximum of \$400 per year)
- conference fees and accommodation eg FIEC conferences, Geneva Multiply
- travel expenses not covered by motor vehicle allowance eg necessary train or air travel
- work related hospitality expenses eg membership lunch
- church weekend away for the pastor (not their family), men's camp, and base camp fees¹².

In the following situations staff should firstly discuss the matter with the senior pastor:

- if it is unclear if an expense is necessary to perform work
- if staff wish to claim other necessary expenses not listed above
- if a staff member wishes to purchase a work related item that is more than the basic requirement needed to complete work (in this instance the staff member may choose to pay the difference)
- if a single expense is greater than \$500 - senior pastor to confirm expense is necessary and provide information to administration committee for consideration/approval.

These expenses will be recorded for each staff member by the treasurer for each calendar year. Ministry related expenses claimed can reach a maximum of \$2,500 per year for each staff member, unless a significant occasional expense is needed such as a new computer, which would first require Administration Committee approval.

Direct ministry expenses may be paid directly by presenting invoices to for payment where practicable, or (more commonly) costs may be claimed via an expense reimbursement with supporting invoices. Payments are made into the staff member's nominated personal bank account.

F. Superannuation

Superannuation for the senior pastor is paid at 80% of the Sydney Anglican rate published each year in the *Guidelines for the Remuneration of Parish Ministry Staff*. Other staff are paid as a proportion of the senior pastor superannuation rate, at the same percentage as that used to calculate stipend.

G. Leave entitlements

Leave entitlements are based on the National Employment Standards. Details are specified in staff member's employment contract. Further information is contained in the *Staff Policy Document*. Leave is recorded for each staff person on Evernote, which is shared with the Treasurer.

¹² Administration Committee voted to make payment for fees associated with these 3 events as direct ministry expenses August 2015.

Ministry Expense Account

Definition

The Ministry Expense Account (MEA) is a physical bank account held by, and in the name of Lighthouse Church, where funds are held in trust in favour of the staff member. Non-taxed stipend and other non-cash benefits are paid into this account each month. Qualifying ministry expenses as defined in the *Guidelines* may be paid from this account in accordance with the following rules.

Administration and rules¹³

A separate MEA is used for each staff member to isolate non-cash benefits to which they are entitled each month from other church accounting. Almost like a personal bank account staff may choose to use all of the funds month to month or to allow the balance to grow.

The payment of all non-cash benefits out of the MEA must be either:
paid by precisely reimbursing staff for a payment made by them; or
Lighthouse Church paying directly for goods or services.

A debit card is provided with the MEA to enable direct payment. EFT's and Bpay payments to third parties (eg home loan repayments) may be setup from the MEA. It is important for these type of payments that particular care is given to record keeping and being able to validate these payments (eg on request by the Australian Taxation Office (ATO)).

The option of precisely reimbursing staff is not commonly used with the MEA. Speak to the Treasurer should this be required. Do not draw cash from the MEA to reimburse yourself.

The onus is on staff to ensure MEA claims/payments are complying 'ministry expenses' according to ATO requirements. Staff MEA statements will be audited by the Treasurer regularly to meet financial governance obligations. Lighthouse Church or individual staff may be audited by the ATO at any time.

Staff must ensure there is no overlap between Direct Ministry Expenses and payments from the MEA. For example, an invoice paid via with the MEA debit card cannot then also be claimed as a Direct Ministry Expenses. Split payments, part MEA payment and part Direct Ministry Expense are complicated and not recommended.

Staff must not draw cash from the MEA or perform transfers or EFT payments to themselves or any family member. Staff may request the Treasurer to pay out the MEA balance as a cash payment. Such payments will be treated as taxed stipend and will be subject to PAYG tax.

Records of all MEA transactions must be retained for 7 years for audit purposes. Records must be made available to the Treasurer on request.

On cessation of employment with Lighthouse the balance of the MEA may be either:
paid to the staff member as a cash payment which will be subject to PAYG
retained in trust for the staff member to draw down on, complying with the rules for the Ministry Expense Account, over a mutually agreed time frame and subject to this being compliant with tax legislation.

¹³ MEA complying ministry expense guidance material - *Guidelines for the Remuneration of Parish Ministry Staff*, tax rulings.

Changing remuneration

While under the church constitution the Administration Committee is authorised to set the terms remuneration, it is important to recognise remuneration for individual staff members is set at the time of employment into a binding employment contract.

A significant review of payment policies and principles for calculation of allowances was undertaken by the Administration Committee in 2014/2015. Given the sound framework and principles on which the calculation of remuneration is based (see 'Framework' above) which includes external indexing for annual increases, it is anticipated the only ongoing pay items to administer would be:

1. apply annual indexing
2. variable direct ministry expenses
3. changes in role or experience
4. change in location of church
5. pay increases greater than indexing
6. anything else by mutual agreement.