

**Council of Delegates Comments regarding Overture 3****MEMORANDUM****To:** Synod 2024**From:** CRCNA Council of Delegates**Re:** Right of Comment re Overture 3: Recommend that Ministers' Pension Trustees Increase the Final Average Salary Calculation to 100 Percent of the Average Ministers' Compensation**Date:** April 9, 2024

This Right of Comment seeks to provide information helpful for synod to do its work. This overture reflects a solid grasp of the pension plans and their purpose. It also correctly directs the request to the pension trustees.<sup>1</sup> This Right of Comment focuses on giving additional information on the Final Average Salary (FAS) calculation and summarizing the implications of implementing what this overture asks for.

The explanation of how the FAS is calculated (fifth paragraph of the overture) is accurate but lacks some details. The FAS calculation is based on the information collected related to Long Term Disability (LTD) coverage. When this information is collected, the pastors provide a single number that includes their salary and housing allowance. The total (salary plus housing) is reduced by 25 percent to determine the FAS. This percentage is based on data showing that housing allowances generally range from 20 to 35 percent of a pastor's salary. Reducing the total compensation number by 25 percent does two things. It reduces the compensation (salary plus housing) by a reasonable amount (less than average) to exclude housing. It also enables ministers to use housing allowance information to reduce the tax burden on their pension to the extent that a pastor has housing-related expenses. Pastors could find it difficult to take the housing deduction without this distinction between salary and housing. As the overture acknowledges, a pastor's retirement plan must encompass other savings than just the pension plan.

The overture proposes a significant change to the FAS calculation, suggesting that it should reflect 100 percent of the ministers' compensation (salary plus housing). This 33 percent increase to the FAS component of the benefit calculation would lead to a substantial increase in the pension benefit, a change that would have far-reaching implications for the plans. All pensions are built on the premise of contributions and investments over a long time period. The overture does not specify when this increase would take effect or which participants would be eligible for this increase in benefits.

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<sup>1</sup> Rules for Synodical Procedure, section VII (see *Acts of Synod 2004*, pp. 623-24).

This request could only be considered if a reasonable increase in church assessments could be implemented now, and the increase in the FAS calculation would then only apply to current and future participants retiring in three or four decades.

Any increase in benefit increases the liability on the trust funds. An increase of this magnitude could trigger Canada's solvency funding regulations, making creating a sustainable funding plan impossible. It also increases the complexity of the systems that support the plans (there are already three factors used for calculating a pension benefit based on the specific years when service was accrued).

The authors of the overture have wisely included the term "sustainable" in their request. However, it is crucial to recognize that creating a funding stream to accommodate a 33 percent increase in FAS would significantly burden our churches. This burden would be particularly challenging for smaller churches committed to providing for their pastors' long-term financial needs through participation in the ministers' pension plans.

*Note:* This communication is submitted to synod per the synodically approved "Right of Comment" policy in the Council of Delegates Governance Handbook, which states the following:

1. The COD itself (i.e., without staff initiation) may judge that synod would be well served by a formal communication in response to a matter on synod's agenda that affects a ministry that falls under the governance of the COD.
2. If time permits, the COD may ask staff for background information.
3. The communication that emerges may be adopted or endorsed and communicated to synod via the COD's Supplement Report.