Since 1967, Reform Congregations have universally contributed fifteen percent of a rabbi’s salary on his or her behalf to the Reform Pension Board. That fifteen percent contribution has withstood the test of time. Over the last 40 years, the United States economy experienced recessions in the 1970’s, 1980’s, 1990’s, and in the early part of this decade. In the eleven recessions since 1945, the average duration was ten months. Today, there is widespread fear -- even panic -- that we may be approaching yet another sustained period of negative economic growth. Yes, there may reason for introspection, but there is no good reason for congregations to reduce the standard fifteen percent annual contribution to the RPB. In fact, such a reduction may cause long term irreparable harm to both the rabbi and the congregation.

A pension is not a gratuity -- it is earned over decades of service -- and it should not be the first place a congregation turns to try to cut costs. There is no doubt that a fifteen percent annual congregational contribution to pension is generous. It should be generous. Frankly, it is difficult to pay a rabbi what he/she really deserves for the work that is performed. The demands of the congregational rabbinate are extraordinary and many rabbis would be chagrined to learn how their annual salaries compute as hourly earnings. With pension contributions, congregations can contribute fifteen percent now, which, over time, will be worth considerably more to the rabbi. In this way, pension contributions help to make up for salaries that may not be commensurate with the work performed.

A reduction in the congregation’s contribution to the rabbinic pension may pose a more serious threat to a rabbi’s financial security than even a salary freeze, which results in an immediate pay cut considering the cost of living and inflation, although the pension impact may be delayed until retirement. The total compensation package will be worth far less if fewer dollars are contributed to the pension. Rabbis have planned and will continue to plan on those congregational contributions to the RPB for their financial security in retirement. What happens if the congregation reduces its pension contribution by $5,000 for just one year? Take the case of a 45-year old rabbi who plans to retire at age 65. Assuming an 8% return on investment, the rabbi foregoing $5,000 over one year will actually be losing $23,305 upon retirement. If the $5,000 reduction continued each year until retirement, the loss increases to $247,115. Younger rabbis will suffer even greater harm and unfortunately they are often more likely to think less seriously about retirement planning. Indeed, using the same illustration but substituting a 35-year old
rabbi for a 45-year old rabbi, the losses total $50,313 and $611,729, respectively. Obviously, you can see how quickly the losses compound.

A reduction in the congregation’s commitment to funding a rabbi’s pension may also adversely affect rabbinic continuity in the synagogue as rabbis may consider changing jobs in order to maintain benefits and provide financial security for their families. This is a lose-lose proposition as congregations need more continuity -- not less -- and rabbis may not be well served by changing jobs every contract cycle.

If congregations reduce the amounts contributed to rabbinic pensions that will shrink the available dollars to a retiring rabbi. This reality will mean that rabbis will be less likely to retire at “normal” retirement age. They will have to work longer in order to feel secure enough financially to retire. Many rabbis who are retiring this year (2008) and whose congregational pension contributions have been steady at fifteen percent or more are very concerned about retiring in the current economy. If rabbis are unwilling or unable to retire, congregational long-term planning and transition issues will need to be revised and there may be fewer opportunities for younger rabbis to advance their rabbinic careers. To compound the problem, Americans are living longer than ever before which means that more money -- not less – will be needed in retirement years. And then there is the growing concern over healthcare costs. This is hardly the time to consider a cut in pension contributions. Indeed, any financial losses suffered by the rabbi due to a reduction to the standard fifteen percent contribution will be impossible to recoup in the future.

Unfortunately, too often, lay leaders look at their own compensation packages and conclude, “If I don’t get it, why should the rabbis?” These comparisons are difficult to deal with on many levels because of the vast differences between rabbinic employment in a non-profit religious institution and corporate work life. A properly funded pension is the only answer rabbis have to higher compensation, stock ownership opportunities, deferred pension and profitability plans, retirement compensation, or golden parachutes.

Any reduction in pension contributions now -- especially in light of the state of our fragile economy -- may appear to provide congregations with a short-term fix (and that is unlikely) but end up inflicting lasting damage on the reform rabbinate, and could very well lead to consequences that even the most prescient leaders may fail to see.