

## Pastoral Compensation Considerations 2024

When a new pastor comes to an appointment, the Staff/Pastor-Parish Relations Committee works with the District Superintendent to set the new compensation. However, after that's done, it really is the responsibility of the S/PPRC to yearly review and recommend adjustments to that compensation. As a conference, we do have a minimum compensation base for every pastor, and you can find an explanation of this in our Conference Journal. While this is a *minimum standard*, it doesn't take into consideration the multiple variables that should be considered when setting a professional salary for your pastor. We know that many S/PPRCs have great care and concern for the welfare of their pastors, including their financial well-being. Because of this, we are providing the following information to support you in your work. If you have additional questions regarding clergy compensation, don't hesitate to contact your District Superintendent.

**Compensation History**—Review the past history of clergy salaries in your appointment. Have you accounted for the factors below or is this new data for your process?

**Community Comparisons**—What are other professionals with similar schooling and credentialing receiving in your community? Instead of comparing, for instance, a pastor with what a teacher would receive, it is more helpful to determine what the school superintendent receives, since the education and responsibility are similar. A good resource to consider is the Hammar's compensation survey found [here](#).

**Cultural Differences** – Variables determining pastoral compensation differ from other industries and businesses. Unlike the methods of determining salary for a new or existing employee in typical, for profit businesses, it is important to be aware of the following for clergy salary determination:

- The District Superintendent is responsible to work with the leadership of the church in setting the compensation for the new, incoming pastor. Salaries are not directly negotiated with the incoming pastor.
- Years of service and depth of experience are typically not variables when determining salary for a new clergy appointment.
- With the exception of a few of our largest congregations, the salary range for clergy is not broad and thus, salary growth over time is limited.
- Clergy are not *promoted* to a larger or different church providing a chance for salary improvement. Clergy are appointed to a missional opportunity where pastoral competencies match church needs. This means that a pastor could actually make less money over time during their tenure as a pastor.
- Clergy salaries for each appointed pastor are posted and public for all to see. Every year each church is required to have a charge/church conference to approve the pastor's salary. We don't engage in secret salary negotiations with pastors.
- The current housing market conditions have created significant challenges for clergy with modest salaries to find satisfactory housing in the church's community.

Pastors are experiencing an increase in anxiety trying to respond to an appointment change which often places financial stress on themselves and the family. Clergy are not promoted due to years of experience

with hefty increases in salary and housing allowances along with other incentives. Yet, a pastor seeks to retain the ability to provide for self and family. The S/PPRC's awareness of these unique salary considerations and cultural differences is important.

**Inflation Rate**—An important consideration each year is the inflation rate. The current rate of inflation, in July 2024, was 2.9%. See table [here](#) for historical information. The average rate of inflation for 2024 is likely to be approximately 2.5 – 3.5%. While it may be difficult for a local church to provide an increase for pastors and staff, reasonable consideration must be given to adjusting to the rate of inflation. Doing nothing equates to a salary cut.

**Housing Allowance**—As we all know, the cost of housing has gone up drastically in the past few years so the impact of the inflation rate should also be considered when calculating housing allowance as well, if applicable.

The church council or charge conference should adopt a housing allowance resolution prior to each calendar year (or prior to the arrival of a new pastor) and record the resolution in the minutes of the meeting (See the Sample Housing Allowance Resolution resource at the link below). Generally, churches should avoid designating a set percentage of compensation for housing allowance. The better approach is to estimate the anticipated expenses for the coming year and set the housing designation accordingly. Then, the pastor should complete a form estimating his or her anticipated housing-related expenses for the year. This is important because a difference in actual housing expenses and the designated housing allowance matters and could lead to tax consequences such as the pastor not being able to exclude as much income as he or she otherwise could or having to report additional income on his or her personal tax return. Please note, the housing allowance is an exclusion from income, not a deduction, and does not extend to social security taxes.

The amount may include, but is not limited to, expenses for the rental or mortgage of a home, furnishings, various utilities, and even some necessary home repairs. It is possible for clergy to exclude the entire cost of owning, renting, and/or furnishing a home from his or her gross income. For more information on the housing allowance, please see refer to the General Council on Finance and Administration (GCFA) website here: <https://www.gcfa.org/resource/clergy-housing-allowance-explained>

**Job Performance**—Growth in effectiveness and/or responsibility should be considered when setting the salary each year. Has the pastor met mutual expectations and goals for the work this past year? Please note that it's not a matter of whether the pastor "did" everything, but whether the pastor provided leadership, direction, and forward movement to important areas of ministry and the church. How do you reward pastoral leadership and efforts through your compensation package?

**Tax Factors**—Clergy are treated uniquely for tax purposes. They are considered an employee by the IRS and self-employed by the social security administration. As a result, clergy are required to pay 15.3% of their compensation (including the fair rental value of the parsonage and the utilities). This equates to paying both portions of the FICA tax (7.65% for employer portion and 7.65% for employee portion).

**Other factors**—Are there other important considerations about compensation that the S/PPRC should raise? The congregation is expected to pay the church's portion of health and pension, but also realize

the pastor has deductions from her/his payroll for their portion of those two categories. Is there mutual understanding around the current expectation of time off, vacation, continuing education and other paid time away for your pastor as well as the budgeted amounts (e.g. pulpit supply stipend) to account for that? In addition, it is important for the S/PPRC and Trustees to do an annual walk through of the parsonage to address any maintenance or improvement needs. This ensures that your pastor lives in a home that is well cared for and prevents costly expenses of deferred maintenance.

**Reimbursable Expenses**—It is important to remember that the expenses associated with having a pastor (salary, housing, benefits) are separate from the expenses necessary for the pastor to engage in ministry on behalf of the church. While it is important to set an appropriate salary for your pastor, it is also important to ensure that an adequate amount is budgeted for Accountable Reimbursement—which is NOT compensation—so your pastor doesn't end up paying for the cost of working for the church. Such expenses would include travel, continuing education, equipment, professional books, hospitality (coffee and meals that were part of ministry), etc.

### **Church Planting Compensation**

Salary for planting work is significantly determined by the objective of ministry sustainability. The Annual Conference typically will provide up to full time compensation for the pre-launch phase recalibrating the Annual Conference grant after the launch based on the size. The following are relevant in setting compensation:

- a. The vision and model of plant. Planting models tend to yield different outcomes as relates to congregational giving.
- b. The potential of local givers. Some plant proposals are likely to require bi-vocational/co-vocational funding.
- c. Achievement of annual mutually agreed upon progress markers.
- d. Overall project funding limits.

Annual Conference funding in partnership with a host/parent congregation is managed in a collaborative way in partnership with Conference leadership.

### **Other Important Items for Consideration**

Do you know your pastor's needs and the stressors that affect their financial well-being? Pastors are reluctant to share any hint of need or distress. It could be helpful for one or two S/PPRC members carefully but intentionally deepen the relationship of trust over time providing an opportunity to better understand the financial burdens that the pastor could be experiencing and perhaps offer support and some type of relief. A pastor will seldom advocate for themselves as their focus is on their calling and leadership of the church. The role of these trusted individuals may be to do so on the pastor's behalf.

The S/PPRC has the year-round opportunity to express appreciation and support for this person and family who have come to live with you and lead your church. Do you celebrate the pastor's (and family's) birthdays, or anniversary? Do you even know those dates? October is often Clergy and Ministry Staff Appreciation Month, in which many churches show gratitude for the pastor's leadership and commitment to the church's mission. Of course, Christmas and Easter are times to express appreciation as well.

## **The Changing Church**

Over recent years, the pastor's responsibilities have likely increased to managing in-person and virtual worship. Other experiences – faith formation groups, confirmation, meetings – may also be continuing in a both/and format, in-person or virtual or a hybrid of both. The challenges of offering multiple methods of congregational and community engagement *effectively* are many. A return to the old norm is not going to happen.

The stress these adaptation have created for all cannot be diminished. The pastor serving a church and community carries the stress – not only for self and family – but for the whole. The Annual Conference is advocating for all clergy to take for time off and rest. It would be wise and considerate for the S/PPRC to discuss and consider with the pastor a plan for time off and renewal in the year ahead. Refer to the Time Off Options as a reference. Engage your pastor in a conversation on who to plan their vacation and professional/personal renewal in the upcoming year.