

## MEMORANDUM

**TO:** Local Brethren Church Leaders  
**FROM:** Tony Van Duyne  
**DATE:** September 2012  
**RE:** 2013 Pastoral Compensation Recommendations

In most churches this is the time of the year when the salary and benefits package for your pastor and any other paid staff is reviewed. This is an important and very sensitive time for both the pastor and the congregation. How you engage in this process sends a strong message to the pastor and is a witness to your community about the spiritual and relational health and maturity of the congregation itself. It is an opportunity for leaders to not only review pastoral staff ministry, but also the work and ministry of the congregation as well. This can be a time of **affirmation** and **encouragement**. This should also be a time to identify barriers to pastoral and congregational health and resulting growth, and develop specific plans to address those barriers in the coming year.

In consultation with the pastor, the appropriate group should recommend a salary and benefit package for the pastor and other paid staff members to the church's leadership and congregation.

**Several factors should be considered in determining salary, including:**

- increase in the general cost of living
- local and regional economic factors
- pastoral performance (based on goals mutually agreed to in the prior year.)
- current size and growth of the congregation
- total years of experience in ministry
- educational level achieved by the pastor and willingness to improve pastoral leadership skills through continuing education, seminars, etc.

Obviously the church's ability to support their staff must be considered, but the pastoral package should not be determined by what is left over after all other budget items have been determined. The pastor's salary is more than a necessary payment to keep body and soul together; it represents the congregation's recognition for past service and provides encouragement and motivation for service yet to come.

Enclosed are the 2013 Pastoral Compensation Recommendations and accompanying worksheets. The basic information included here was originally prepared by a team of lay leaders from our own Brethren congregations. If you need more information or have questions about your particular situation, feel free to contact the National Office via phone or email. The following are categories that need to be taken into consideration in the preparation of your pastoral compensation for the coming year:

## Items to consider:

- 1. Salary.** Comparing pastors' salaries with that of prevailing salaries of others with similar levels of professional training [consider, for example, the local salary/benefits schedule for public high school teachers with a Master's degree, as appropriate]; it becomes clear that pastors are not in ministry "for the money." Jesus said, "The worker deserves to be paid" [Luke 10:7]. However, we do our pastors and church a great disservice if we simply take the attitude of "Let's get by with as little as possible."
- 2. Years in ministry.** Increased experience in your church or with another church should contribute to the pastor's ability to lead. More growth and maturity usually takes place in earlier years of ministry, so salary should increase as years in ministry increase.
- 3. Educational level.** Many pastors and leaders of local congregations have obtained or are pursuing various levels of higher education (Master's of Divinity, etc.). We recommend that you consider this as a factor when considering the pay level of your local leadership.
- 4. Value of parsonage/housing allowance.** Some churches provide for a parsonage or housing allowance as a part of a pastor's benefits package. Over the years, housing costs have risen [and fallen] dramatically. When computing the fair rental value of your parsonage, please take your local housing market into consideration. If providing a housing allowance and the housing costs in your area are above the national average, increase the salary schedule accordingly.
- 5. Paid vacation.** We encourage churches to be generous in providing for a more than adequate amount of vacation and sabbath. Pastoral ministry is often stressful, with many clergy on call 24 hours a day. Time completely away from these duties is often the only remedy. Many pastors live far away from extended family, and often are compelled to spend vacation time reconnecting. A church can afford to be generous in this area because it adds little in actual expense to the budget. Be generous then, and encourage your pastor to take time away from duties and other family responsibilities to be alone with their immediate family. Additional paid personal and sick leave days should also be provided.
- 6. Recommended standard for Professional and Personal Development.** Encouraging our leaders to stay informed and challenged by outside learning experiences is critically important. We recommend that pastors engage in a minimum of ten hours of Continuing Education or leadership development training each year. Most pastors welcome the opportunity to attend experiences that enhance their ability to lead. Churches should insist on it by providing the time away in excess of vacation and the financial resources necessary to attend. Congregational support in this area demonstrates a commitment for ongoing leadership transformation and provides healthy pastoral care and support.

The Brethren Church National Offices regularly communicates continuing educational opportunities to pastors and often creates peer-learning experiences to go with these events. It is a good idea to send other appropriate staff or key volunteers along with the pastor to create a shared understanding of how to apply learnings from the experience to your local ministry and mission.

**7. Sabbath Rhythms & Sabbatical.** Congregations should encourage and support their pastor to plan for regular times of “Sabbath” in their schedules. This does not mean simply rewording the way your pastor embraces a day off. It should not be seen as a day away to work on sermons or run family errands, but should be seen as a regular responsibility of their working calendar as designated time with God. It needs to be a way for them to nurture their relationship with Christ and have their spirit refreshed by His Spirit. Every leader finds refreshing in different ways, so work with your pastor to develop a mutual understanding. For some it is being still before God in a quiet place, for others it is a focused time in the Word and in prayer, for others it might be to engage in an activity that gives energy and rest to the body, mind, and soul. Some may need to structure a half-day every week, some may need a full day every 2 weeks, and some may need an overnight retreat once a month. For all, it should be in a place away from the office and apart from the normal demands of ministry. Whatever regular rhythm your pastor needs, encourage them to define that time on their calendar as their “work day with God” and find a healthy way to hold them accountable for keeping it.

Similarly, we also recommend providing your pastor with an extended Sabbatical leave of at least one to three months for each 5-to-7-year-period of ministry at your church. The term “Sabbatical” is understood as rest and restoration as well as an intentional time of study focused on a specific outcome that would benefit the mission of the church. These vital times of reflection and refreshing will allow your pastor to minister to your congregation from a spiritual and emotional well that overflows rather than a bucket that is dry and empty. At the same time, it is also important that pastoral leaders engage intentionally in times away that would equip the body, soul, and mind for key seasons of leading change and transformation in the church. Support for these times should include both the additional time away from normal duties and the finances necessary for these experiences.

### **Remember that:**

- The IRS definition of housing includes fair rental value of parsonage, or [in the case of the pastor’s owned home] the fair rental value of home and contents including furnishing and appurtenances, such as a garage, plus utilities. [Please note: the IRS no longer recognizes the housing allowance for the pastor’s owned home as consisting of mortgage payments and household supplies and the like, along with utilities and furnishings.] Do not over or under assign the value of housing, since it is used in computing Social Security. A realtor should be consulted periodically to determine fair rental value of the parsonage or pastor’s owned home. If a pastor owns their own home, they must designate the amount of salary allocated for housing allowance to gain the greatest allowable tax advantage. [See the “Worksheet for Pastoral Services” for a sample declaration to be made by the church each year for this clergy tax benefit.]
- Workers not self-employed pay half of their Social Security and Medicare tax, an amount equaling 7.65% of salary. [Another 7.65% is matched by the employer as a benefit.] However, for Social Security purposes the pastor is considered as self-employed, and therefore is responsible for the entire amount of their Social Security and Medicare taxes. This is an amount equal to over 15% of salary. Though the self-employed Social Security and Medicare tax is included in the salary schedule amount, churches should bear in mind that this portion of the pastor’s salary is not spendable income.
- Salaries for churches averaging less than 50 are considered part-time. These churches should release their pastor to earn outside income to supplement to the level of salary suggested. At the other end of the spectrum, churches over 125 in average worship attendance should begin the discussion of hiring associate staff. Churches averaging over 150 in worship will have difficulty continuing healthy growth or maintaining that level without associate staff. Contact the National Office to discuss this and other issues related to staffing and remuneration.

## Benefits

In addition to salary, we recommend the church provide the following benefits:

- Paid vacation minimum of 2 weeks for 0-2 years of accumulated ministry experience, 3 weeks for 3-9 years, 4 weeks for 10 or more years. Additional days of paid vacation could be considered in addition to or in lieu of other benefits by agreement of both pastor and congregation.
- Day off of at least one day per week.
- Limit the number of evening meetings to 2-3 per week.
- Family health insurance [see note below].
- Up to 10% of above salary for retirement through the Brethren Retirement Fund. Contact the National Office for more information about this program.
- Adequate budgeted amount and time for continuing education/books/ministry tools [at least 2% of salary is recommended, depending on salary level].

Though we encourage the church to be the primary provider for family health insurance, in some instances a pastor may elect to retain coverage through a spouse's employer. In that situation, the church should adjust the salary upward in lieu of providing duplicate insurance coverage.

We also recommend the church [in consultation with the pastor] consider providing other benefits, such as:

- Disability insurance [especially important if the pastor is not covered by Social Security, a worker's compensation plan, or is dependant on a parsonage].
- Group term life insurance [tax-free up to \$50,000].
- Dental, vision and pharmaceutical insurance.
- Self-insured medical reimbursement plan [for deductibles and other expenses not covered by health insurance], or a Medical Savings Plan if authorized in your area.
- Parsonage Equity Reserve program for pastors living in the church's parsonage.

The Parsonage Equity Reserve program would establish a tax-free parsonage reserve fund into which the church would deposit monthly an amount equal to 10% of the fair rental value of the parsonage. When the pastor leaves the church the funds accumulated in the parsonage reserve fund including interest earned would be paid to the pastor in lieu of the cash value appreciation, which would normally be earned if the pastor owned the parsonage. This payment will permit the pastor to make a down payment on a home at their next assignment or to purchase a home in retirement.

## Reimbursements

In addition to salary and benefits, the church should provide for full reimbursement of the following expenses incurred by the pastor:

- Reimbursement for travel at the current **IRS rate which is 55.5¢ per mile**. This rate may change for 2013. The announcement from IRS is usually made in early December.
- Full reimbursement for all costs associated with District Conference, General Conference, Brethren Pastors and Spouses Conference and annual continuing education experiences approved by the church.

### Worksheet for a Church Providing a Parsonage

	Last Year's Numbers	Proposal for this Year
<b>1. Pastor's Income</b>		
a. Pastor's salary (based on schedule):	\$ _____	\$ _____
b. Less value of parsonage provided	- _____	- _____
c. Less value of parsonage utilities paid directly by the church	- _____	- _____
	_____	_____
d. Total cash salary payment to pastor	\$ _____	\$ _____
<b>2. Standard Benefits</b>		
a. Family health insurance	\$ _____	\$ _____
b. Retirement (up to 10% of 1.a.)	\$ _____	\$ _____
c. Budget for reimbursement for travel expenses @55.5¢ per mile	\$ _____	\$ _____
d. Budget for reimbursement for District, General, and Brethren Pastors and Spouses Conferences	\$ _____	\$ _____
e. Budget for reimbursement for continuing education/books/ministry tools and for professional dues and expenses	\$ _____	\$ _____
	_____	_____
f. Total standard benefits	\$ _____	\$ _____
<b>3. Other Benefits</b>		
a. Disability insurance	\$ _____	\$ _____
b. Workers' compensation insurance	\$ _____	\$ _____
c. Group term life insurance	\$ _____	\$ _____
d. Dental / vision insurance	\$ _____	\$ _____
e. Other	\$ _____	\$ _____
	_____	_____
f. Total other benefits	\$ _____	\$ _____

**Worksheet for a Church Providing a Parsonage cont.**

**4. Designation of Parsonage Allowance**

Because current tax laws provide favorable advantage for pastors for their expenses in providing a home, it is appropriate to take the action listed below on an annual basis.

The pastor, in consultation with the committee, should be allowed to designate the "Pastor's Salary" from line 1.a. in the way that will be most advantageous for tax purposes. Following is a worksheet for that purpose:

	<b>Last Year's Numbers</b>	<b>Proposal for this Year</b>
a. Pastor's salary (from line 1.a.):	\$ _____	\$ _____
b. Less fair rental value of home, furnishings and appurtenances such as a garage	- _____	- _____
c. Less utilities [if paid by the pastor]	- _____	- _____
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d. Total salary minus housing allowance	\$ _____	\$ _____
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e. Total parsonage allowance for designation (total of 4.b. and 4.c.)	\$ _____	\$ _____
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**Worksheet for a Church Not Providing a Parsonage**

	<b>Last Year's Numbers</b>	<b>Proposal for this Year</b>
<b>1. Pastor's Income</b>		
a. Pastor's salary (based on schedule):	\$ _____	\$ _____
b. Less value of parsonage utilities paid directly by the church	- _____	_____
c. Total cash salary payment to pastor	\$ _____	\$ _____
<b>2. Standard Benefits</b>		
a. Family health insurance	\$ _____	\$ _____
b. Retirement (up to 10% of 1.a.)	\$ _____	\$ _____
c. Budget for reimbursement for travel expenses @55.5¢ per mile	\$ _____	\$ _____
d. Budget for reimbursement for District, General, and Brethren Pastors and Spouses Conferences	\$ _____	\$ _____
e. Budget for reimbursement for continuing education/books/ministry tools and for professional dues and expenses	\$ _____	\$ _____
f. Total standard benefits	\$ _____	\$ _____
<b>3. Other Benefits</b>		
a. Disability insurance	\$ _____	\$ _____
b. Workers' compensation insurance	\$ _____	\$ _____
c. Group term life insurance	\$ _____	\$ _____
d. Dental / vision insurance	\$ _____	\$ _____
e. Other	\$ _____	\$ _____
f. Total other benefits	\$ _____	\$ _____

**Worksheet for a Church Not Providing a Parsonage Cont.**

#### 4. Designation of Parsonage Allowance

Because current tax laws provide favorable advantage for pastors for their expenses in providing a home, it is appropriate to take the action listed below on an annual basis.

The pastor, in consultation with the committee, should be allowed to designate the "Pastor's Salary" from line 1.a. in the way that will be most advantageous for tax purposes. Following is a worksheet for that purpose:

	Last Year's Numbers	Proposal for this Year
a. Pastor's salary (from line 1.a.):	\$ _____	\$ _____
b. Less fair rental value of home, furnishings and appurtenances such as a garage	- _____	- _____
c. Less utilities [if paid by the pastor]	- _____	- _____
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d. Total salary minus housing allowance	\$ _____	\$ _____
	<hr/>	<hr/>
e. Total parsonage allowance for designation (total of 4.b. and 4.c.)	\$ _____	\$ _____
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#### Parsonage Allowance Declaration

Action to be taken annually by the church on the amount on line 4.e.

Under current tax laws, pastors are not subject to federal income tax on parsonage allowance paid as part of compensation to the extent used to rent or provide a home. After considering the estimate of home expenses by Pastor \_\_\_\_\_, a motion was made by \_\_\_\_\_, and seconded by \_\_\_\_\_, and passed to adopt the following resolution:

Resolved, that of the total cash salary for the year \_\_\_\_\_, \$ \_\_\_\_\_ is hereby designated as parsonage allowance.