

# Recommendations and Requirements For Compensation and Benefits For Pastors Serving Churches in the Trinity Conference

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As pastors care for congregations, congregations care for pastors. Scripture calls the church to provide financial resources and other benefits sufficient to support and equip pastors to fulfill God’s calling (1 Corinthians 9:14; Galatians 6:6; 1 Timothy 5:17-18).

In the Global Methodist Church, pastors categorized as clergy<sup>1</sup> may be appointed by the Bishop after a thorough consultation has taken place between the church, the prospective pastor, and the Presiding Elder and/or Conference Superintendent. When an appointment or assignment is made, compensation and benefits must be agreed upon and cannot be changed arbitrarily by any party.

Laity, including Certified Lay Ministers, may be assigned as ministers by the Presiding Elder to serve churches. In most areas, our recommendations for pastoral compensation packages will apply to laity. However, some details of lay minister compensation packages will be different from those for appointed clergy. We have tried to highlight most of the major differences and exceptions throughout the document.

The following recommendations and requirements for compensation and benefits are intended to be seen as minimums which will give pastors and churches a starting point in their mutual agreements. These recommendations and requirements are based on the Book of Doctrine and Discipline of the GMC (BDD) and United States law. While a few items in this document are listed as requirements (with corresponding notes as to why that area is not negotiable), most of the items included should be seen as recommendations to guide pastors and churches in their mutual agreements.

## PASTORAL COMPENSATION PACKAGE

The pastoral compensation package may include any or all of the following items, which will be discussed in more detail below:

- Base or cash salary,
- housing (including a parsonage and/or housing allowance)
- health benefits,
- retirement benefits,

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<sup>1</sup>This applies to all persons categorized as clergy, including: Elders, Deacons, Senior Elders, Senior Deacons, Valid Elders, Valid Deacons, Transitional Local Pastors and Supply Pastors.

- life and disability benefits, and
- other benefits, including professional expense reimbursements and moving expenses.

The pastoral compensation package will be developed by the Staff-Parish Relations Committee of the church/charge (the “SPRC”), or its equivalent, in conversation with the Finance Committee, the pastor and/or the Presiding Elder (BDD ¶445.8.m). Church leaders may then work with the pastor to distribute those funds among the different categories within the total compensation package. Each year, the SPRC will recommend the pastoral compensation package to the Church Council and report any budgetary implications to the Finance Committee (BDD ¶445.8.m). After consideration of the SPRC recommendation, the Church Council will then recommend a compensation package to the Charge/Church Conference for approval (BDD ¶343.4.d). After Charge/Church Conference approval, the compensation document becomes a legally binding agreement that cannot be modified without another Charge/Church Conference.

A Salary Calculator Spreadsheet is available from Presiding Elders for any church that needs help with allocating funds into the various areas of the pastor’s total compensation.

**Matters of Note:**

- *Churches are required by the IRS to issue W-2’s to their appointed pastors or assigned ministers (not 1099s).*
- *All laity, including CLMs assigned as ministers, are not considered clergy by the IRS and are treated differently for tax purposes by the church.*
- *With any compensation matters, it is highly recommended that church leaders and pastors consult a CPA familiar with church finances and clergy taxes.*

**Part-Time vs. Full-Time Determination**

The vocation of a pastor is a calling, which means that even if a person is employed bi-vocationally and/or classified as “part-time” for the church, we recognize that someone serving in this capacity is rarely truly “off-the-clock.” The following descriptors and numerical increments serve as a guideline for local churches to use in determining whether a pastor is to be considered full-time, ¾ time, ½ time or ¼ time. The official determination will be a joint decision between the pastor, church, and Presiding Elder. This determination is based on two criteria:

1. The number of hours and duties in an average week the church expects the pastor to work. This includes all meetings, phone calls, pastoral care, sermon preparation, office hours, and worship services done at the church, in the community or at the pastor’s home.
2. The compensation of the pastor.

The following general guidelines may be helpful in determining whether a pastor is full-time or should be categorized as ¼ time, ½ time, or ¾ time:

- ¼-time pastors are generally expected to work less than 15 hours per week. Expected duties include weekly preaching at each church on their charge and providing pastoral care as needed.
- ½-time pastors are generally expected to work between 15-25 hours per week. Expected duties include weekly preaching at each church on their charge, conducting occasional bible studies, providing pastoral care as needed, and being available at least once a week for office hours.
- ¾-time pastors are generally expected to work between 25-35 hours per week. Expected duties include weekly preaching at each church on their charge, providing regular bible studies, making regular pastoral visits, tending to the administrative life of the church, and maintaining a presence at least one day weekly in each church/community they serve.
- Full-time pastors are generally expected to work 35+ hours per week. A person serving full-time is expected to be employed primarily in the work of pastoral ministry to the church or charge they are appointed to and may not be substantially engaged in employment outside of their appointment (BDD ¶508.18).
- For Associate pastors, the time expectations listed above will still generally apply, but the duties will be determined by the church.

**Matters of Note:**

- *For churches in a multi-point charge, these percentages may be separated by church or combined into one. For benefits purposes, a pastor's part-time increments may be combined to determine eligibility.*
- *At no point can a pastor be appointed to more than full-time.*

**Base or Cash Salary**

The local congregation must determine an appropriate and reasonable base or cash salary for the pastor. This will be based on the church's financial capacity, the local economy, and the pastor's needs. Many churches choose to base this salary portion of the compensation package on a local schoolteacher's pay for someone with commensurate experience and/or the average salary in the community.

If a congregation is unable to provide adequate compensation for their pastor, consideration should be given to joining with another church or churches to increase the base or cash salary to the desired level.

**Tax Notes:**

- *The Social Security Administration treats appointed clergy as self-employed, which means churches may not deduct Social Security or Medicare taxes from a clergy person's paycheck. Instead, clergy are responsible for paying both portions (employer and employee) of Social Security taxes (FICA) on their own. FICA calculations are based on a pastor's cash salary plus all housing allowances and/or the "fair market" rental equivalence of the parsonage a pastor lives in. This reduces the take-home pay for clergy.*

- *Laitly who are assigned to a church (including CLMs) are not treated as clergy by the Social Security Administration, therefore the church must follow IRS withholding rules for non-clergy.*
- *If a church or pastor has further questions on taxes and withholdings, it is highly recommended they consult a CPA who understands clergy tax law.*

## Housing

Each congregation will provide full-time pastors with either a suitable, well-maintained parsonage (along with a sufficient housing allowance to cover utilities or other housing expenses) or a sufficient housing allowance that allows the pastor to purchase or rent a home that meets the needs of their family (including all expenses related to housing, such as utilities, furnishings, and internet service) (BDD ¶445.8.m).

### • Parsonage Standards

If a church chooses to provide a parsonage, we recommend that the parsonage reflect the standards of the surrounding community while providing sufficient space for the pastor and their family. We recommend any parsonage have at least three bedrooms, two bathrooms, and all major appliances (which are kept properly maintained by the church). We further recommend that the church either provide a lawn service for the parsonage or a lawn mower and all necessary supplies for the pastor to maintain the yard.

The parsonage may be unfurnished. However, if the parsonage is furnished, all furniture should be in excellent condition when the pastor moves in. The pastor should also have the option to use his or her own furniture instead of church-owned furniture. If a pastor chooses to use their own furniture, the church should bear the responsibility of moving and storing the church-owned furniture. Pastors will be responsible for any insurance of their personal items. Pastors will also be responsible for any damage to the parsonage beyond normal wear and tear (including all exterior buildings and grounds). Trustees, accompanied by the pastor, are expected to examine the parsonage annually and immediately address all maintenance needs affecting the family's health and well-being (BDD ¶445.8.m).

**Note:** *If desired, a sample parsonage agreement for the church and the pastor is available from the Presiding Elder upon request.*

### • Housing Allowance for Housing Expenses at a Parsonage

If a parsonage is provided, it is recommended that the church designate some of the compensation as a Housing Allowance to cover utilities and other housing expenses the pastor incurs during their time in the parsonage. This Housing Allowance for Housing Expenses should be dispersed evenly throughout the year and receipts are not required for the church.

**Note:** *Monies designated for Housing Expenses are not to be used by the church to cover maintenance, repair, or renovations of the parsonage, but are to be used by the pastor for ordinary expenses such as electricity, water, gas, internet, furnishings, etc.*

- **Housing Allowance**

If no parsonage is provided, churches may work with the pastor to determine the amount of compensation that can be designated as a housing allowance. This housing allowance should be sufficient to purchase or rent an average home in the community where the pastor is expected to live, including mortgage, rent, ordinary utilities and other expenses related to keeping and maintaining a house. A practical starting point for housing allowances for full-time pastors is to use twenty-five percent of the total compensation package but may be adjusted for the pastor's needs.

## **Health Benefits**

The following recommendations and requirements for health benefits are based on the information provided on the Benefits section of the GMC website.

Churches with pastors serving full-time are required to ensure that the pastor and the pastor's family (spouse and any eligible dependents) have health benefits. Churches with pastors serving less than full-time may also choose to offer health benefits to the pastor and their family.

Churches with full-time pastors are required to participate in the GMC Health Benefits plan at the GMC's standardized employer contribution rate, unless the pastor requests and receives a waiver from the GMC Benefits Office. A copy of this waiver must be sent to the Conference Office, and we strongly recommend that churches obtain and keep a copy of this waiver for perpetuity.

Churches may choose to contribute the pastor's portion of a plan. If so, the additional contribution would be considered taxable income by the IRS and must be reported on the pastor's W-2. It is recommended the church record the extra contribution as "other taxable compensation" to the pastor on the Conference compensation forms.

Churches with  $\frac{3}{4}$  time pastors may elect to use the GMC Health Benefits plan. Churches with  $\frac{1}{2}$  or  $\frac{1}{4}$  time pastors may not use the GMC Health Benefits plan but can work out other arrangements to pay for a pastor's health benefits.

If the church is not paying for a pastor's Health Benefits plan directly through the GMC provider, either because the pastor has received a waiver from the GMC Benefits Office or the pastor is  $\frac{1}{2}$  or  $\frac{1}{4}$  time, but the church still wants to contribute towards the pastor's chosen health plan (whether it be something the pastor receives through a deduction from their spouse's income, or a Medicare supplement, or another method), it is recommended the church designate a portion of the pastor's compensation as "health benefits reimbursement" up to the amount the pastor is spending for health benefits. If this arrangement is utilized, the "health benefits reimbursement" should be listed as "other taxable compensation" to the pastor on the Conference compensation forms and must be reported as taxable income on the W-2.

## Retirement Benefits

The following recommendations and requirements for retirement benefits are based on the information provided on the Benefits section of the GMC website.

All pastors who are appointed to at least 1/2 time must participate in the GMC Covenant Retirement Benefits Program, unless the pastor requests and obtains a waiver from the GMC Benefits Office. A copy of this waiver must be sent to the Conference Office, and we strongly recommend that churches obtain and keep a copy of this waiver for perpetuity. If pastors receive a waiver from the GMC retirement benefits program, they may arrange for a separate retirement benefit from the church, if the SPRC agrees.

If a pastor participates in the retirement benefits program, the congregation must pay 5% of the “total pastoral compensation,” defined as the sum of the base or cash salary, housing (including all housing allowances and the fair-market rental value of any parsonage), and other taxable compensation amounts. If the pastor requests a tax-sheltered (before-tax), Roth or after-tax deduction from their paycheck, the church must contribute dollar-for-dollar up to 5% of the pastor’s total compensation. If the pastor contributes less than 5%, the church will match the contribution percentage. If the pastor contributes more than 5%, the church will only contribute 5%. All pastors are encouraged to contribute the full 5% to receive the match.

## Life/Disability Benefits

The following recommendations and requirements for life and disability benefits are based on the information provided on the Benefits section of the GMC website.

Churches with full-time or ¾-time pastors are required to pay for the life and disability insurance benefit provided through the GMC. This benefit cannot be waived by pastors.

The cost of this benefit will vary per pastor, but the GMC Benefits Office recommends that churches budget for 2% of the total pastoral compensation.

## Benefits: Which Are Mandatory? And Which Are Available?

We have produced a helpful graphic that concisely explains, based on a pastor’s full-time percentage, which benefits are mandatory for churches to offer to pastors, which benefits are available if a church chooses to offer them, and which benefits are not available for churches to offer pastors:

APPOINTMENT PERCENTAGE	RETIREMENT BENEFITS	HEALTH BENEFITS	LIFE/DISABILITY BENEFITS
Full-Time	Mandatory	Mandatory	Mandatory
3/4 Time	Mandatory	Available	Mandatory
1/2 Time	Mandatory	Not Available	Not Available
1/4 Time	Not Available	Not Available	Not Available

## Professional Expense Reimbursements

We recommend each church create a professional expense reimbursement line item in their budget to allow pastors to be reimbursed for expenses designated by the IRS as qualifying business expenses. If two or more pastors are appointed or assigned to a church, it is recommended that each pastor have their own line item for professional expense reimbursement. One benefit to professional expense reimbursements is that they are not considered taxable compensation per IRS guidelines.

Churches are encouraged to create a professional expense reimbursement policy. Since the IRS requires a policy be in place, if a church has not created one for themselves, the following policy will be used:

1. Qualifying professional expenses for reimbursement include: meals where church business is conducted; meals incurred while attending or travelling to and from official church events; mileage paid at the current IRS rate from the church office or the pastor's home to and from places not at the local church where church business is being conducted, including church events, meetings, conferences, pastoral visits, etc.; continuing education or pastoral training expenses, including classes and books, whether online or in-person; electronic equipment or other items deemed necessary for pastoral work by the pastor that is not otherwise provided by the church; and any other expenses defined as reimbursable by the IRS.
2. Itemized receipts must be provided by the pastor for all reimbursements.
3. Pastors shall not be reimbursed for more than the amount listed in the budget without prior approval from the Finance Committee and/or Church Council.
4. Any monies in the budget for professional expense reimbursement which are not spent by the pastor in the financial or calendar year in which they were allocated will not be given to the pastor in cash.

If the pastor requests it, a church may choose to give money directly to a pastor for similar expenses in lieu of creating a professional expense reimbursement system. If so, these monies must be reported to the IRS as taxable compensation.

## Moving Expenses

When pastors move from one community to another after receiving a new appointment, it is customary for the receiving church to offer to pay for some or all of the pastor's moving expenses. This moving expense reimbursement is negotiable between the church, the incoming pastor and/or the Presiding Elder. For full-time appointments, we recommend that all reasonable moving expenses for pastors will be reimbursed by the congregation receiving the new pastor, up to \$6,000.00. For part-time appointments, we recommend churches and pastors to mutually determine the allowable reimbursement amount, if any. If a pastor receives a moving expense reimbursement, the pastor can be expected to provide the congregation with appropriate documentation of the expenses.

If a pastor leaves a congregation but is not moving to a new appointment, the congregation is encouraged to provide financial assistance for that pastor's move, as they are able.

All payments for moving expenses, even if they are given as a direct reimbursement, shall be reported on the pastor's W-2 as taxable income above and beyond the base or cash salary listed in the compensation package, in accordance with IRS regulations.

## **TIME OFF: RE-CREATION**

A pastor's work is physically, emotionally, and spiritually fatiguing. Without regular rest and renewal, ineffectiveness and burnout are inevitable, doing damage to the pastor, the pastor's family, and the congregation. The SPRC is responsible for assuring that the pastor is taking time away from church responsibilities to re-create. The pastor and the SPRC should be in conversation regarding the use and scheduling of these times (BDD ¶445.8.g & .m).

The SPRC is also responsible for communicating reasonable expectations to the rest of the congregation concerning the pastor's time off. Vacation comes from the Latin *vacare*, meaning "to be unoccupied". Therefore, when a pastor is on vacation or otherwise utilizing their days off, the congregation should not expect any contact with the pastor except in extreme needs or emergencies. Even during extreme circumstances, the congregation must understand that the pastor may not be reachable by any means until their scheduled return time.

When the pastor chooses to take time off on a Sunday morning, the congregation shall have sufficient funds available for pulpit supply (BDD ¶445.8.m).

### **Weekly Days Off**

The congregation should provide the pastor at least two regular days and nights each week free of congregational expectations. While unforeseen circumstances may arise on occasion, they should be the exception rather than the rule.

### **Continuing Education/Spiritual Formation**

Each year, the pastor shall be provided the time and means for schooling required towards ordination, continuing education for ministry and/or spiritual formation (BDD ¶445.8.g). We recommend at least two weeks of this for all pastors, in addition to vacation/personal time off. Pastors are encouraged to develop an annual growth plan and, upon completion, explain to the SPRC how the pastor and/or the congregation benefits from these experiences.

## Vacation/Personal Time Off

The amount of Vacation/Personal Time Off given to a pastor is a joint decision between the church and the pastor. We recommend that the time given by the church be based on the total years of a pastor's full-time pastoral ministry, including those in previous denominations.

The recommended minimums for vacation/personal time off for full-time pastors in a calendar year are:

0-5 years experience:	2 weeks, including 2 Sundays;
6-10 years experience:	3 weeks, including 3 Sundays;
11-15 years experience:	4 weeks, including 4 Sundays;
16-25 years experience:	5 weeks, including 5 Sundays;
more than 25 years experience:	6 weeks, including 6 Sundays.

The recommended minimum for vacation/personal time off for pastors who are less than full-time is for at least 2 weeks each calendar year, including 2 Sundays.

## Sabbaticals

Clergy who have been serving in a full-time appointment for six consecutive years may be granted sabbatical leave for a program of study, travel, or renewal. The sabbatical request and sabbatical would follow the process, requirements and expectations in ¶518.3 of the BDD.

## Maternity/Paternity Leave

When a pastor is expecting to receive a new child into their household by birth or adoption, churches are required to provide for maternity and paternity leave for the pastor. The requirements and expectations are addressed in the BDD ¶518.6.

### Version History:

Version 7 was approved by the Clergy Session of Annual Conference on June 20. Version 11 was presented to the Board of Ministry on December 9 and approved unanimously.