



PASTORAL COMPENSATION GUIDELINES



*Equipping & Empowering
Pastors & Leaders to
Seek & Save The Lost.*

GLR PASTORAL COMPENSATION GUIDELINES

The Discipline gives the Local Board of Administration (LBA) the authority and responsibility to review its pastor's compensation package annually.

723. Annual Review of Pastoral Support.

The pastor's cash salary and other benefits, including health insurance and employer contributions for Wesleyan Pension Fund Inc (WPF), shall be reviewed annually by the local board of administration prior to the annual session of the local church conference. Proper health insurance coverage should be provided by the local church for pastor and family except in cases in which they have adequate coverage through other employment of pastor and/or spouse, or in the case of pastors serving in Canada, through the national health program and district supplemental insurance programs. Full participation in Wesleyan Pension Fund Inc by the local church on behalf of all pastors is expected in the plan of support of all pastors. The obligation, responsibility, and liability for both health insurance premiums and employer contributions to WPF belong solely to the local church. The district and General Church have no obligation, responsibility, nor liability for these matters, either expressed or implied. A report of the final action on the pastor's support shall be sent by the local board of administration in writing to the pastor (or pastor-elect, 691:2) and the district superintendent (746).

CASH SALARY (INCLUDING HOUSING ALLOWANCE)

Cash Salary

Churches typically spend 50 - 60% of their budget on personal expenses including, salary, benefits, retirement contributions, and payroll taxes.

The GLR recommends a full-time pastor should earn at least the same amount as a full-time public school teacher with the same experience and education in the school district in which the church is located. You can find public school teachers' salary information in the school district's Collective Bargaining Agreement, usually published on its website.

For part-time pastors, the GLR recommends a minimum salary by pro-rating the public-school teacher salary. For example, if the church expects a pastor to work 20 hours a week, then the recommended minimum salary for that pastor should be 50% ($20 \div 40 = 50\%$) of the salary for a full-time public school teacher with the same experience and education in the school district in which the church is located.

If your pastor lives in a church-provided parsonage, the GLR recommends supplementing the pastor's salary with an equity allowance to make up for the loss of home equity that builds up over time.

If a church cannot pay the recommended minimum salary, it should reduce the pastor's expected hours proportionately and allow the pastor to supplement his/her income with a part-time job, following 1 Timothy 5:18.

The GLR has several tools to help churches discern an appropriate salary for its pastor. One of those tools is a Salary Report ChurchSalary.com, a database of pastor salaries based on the pastor's years of experience, education level, ordination status, church size, church budget, and location. The GLR will provide free reports to any GLR church. *To request this free report, please contact Andy Miedema at amiedema@thegl.org.*

SECA Tax Reimbursement

The IRS treats pastors as self-employed for social security taxes (also called payroll taxes). This means pastors pay 14.3% SECA rather than a non-pastor who pays 7.65% FICA. Some churches choose to pay their pastors as SECA Reimbursement to offset this difference. For tax purposes, the IRS treats SECA allowance the same as cash salary, so the GLR recommends just adding the amount to the pastor's cash salary.

CASH SALARY & HOUSING ALLOWANCE CONTINUED

NON - SALARY BENEFITS

Housing Allowance

The IRS permits pastors to designate a portion of their cash salary as Housing Allowance, which is not subject to federal or state income taxes. Only licensed and ordained pastors are eligible for Housing Allowance. The IRS requires the LBA to approve the pastor's Housing Allowance amount annually and document the amount in its minutes. The GLR recommends pastor prepare a housing allowance estimate and request a housing allowance amount to the LBA.

For receive more information and forms about Housing Allowances, please see the GLR website at: www.thegl.org/treasurer-tools

Bonuses, Christmas Gifts, and Love Offerings

Bonuses, Christmas Gifts, and Love Offering (including gift cards) given by the church to the pastor are an acceptable form of compensation. Such gifts are taxable income and must be included on the pastor's W-2 statement. Gifts given to the pastor directly by individuals are not taxable income to the pastor, but these gifts are not classified as tax deductible donations for the giver.

Payroll

Ministerial payroll is much more complicated than other types of employees and errors with pastoral taxes are difficult and expensive to correct. The GLR strongly recommends every church outsource payroll to a qualified payroll company, even churches with only one employee. The GLR recommends MinistryWorks payroll, which is owned by Brotherhood Mutual Insurance Company.

Retirement Plan Contribution

The GLR strongly recommends churches contribute at least 12% of their pastor's cash salary (including the value of housing allowance if the pastor lives in a parsonage) to a pastor's retirement account at the Wesleyan Pension Fund (WPF). One benefit of contributing to the Wesleyan Pension Fund is that it provides the pastor with a small life insurance policy and long-term disability policy.

For more information about the Wesleyan Pension Fund visit: www.wesleyan.org/pension

Health Insurance

The GLR recommends that churches provide full-time pastors with a health insurance benefit that covers the pastor and his/her family. The Church can provide this benefit through a group health plan or pay the pastor a supplemental cash payment so the pastor can purchase health insurance in the marketplace. The health insurance benefit should be comparable to the health insurance benefits offered by the school district in which the church is located. For more information about health insurance options, you can contact GLR's CFO, Andy Miedema, at amiedema@thegl.org

The GLR also offers a dental and vision insurance group plan that is open to all GLR church staff (both full-time and part-time). Some churches pay for this insurance for their pastors while other pastors purchase it directly.

Vacation

The GLR recommends churches provide full-time pastors with a minimum paid vacation time based on the number of years the pastor has served under appointment in ministry:

- 0 – 10 years: three weeks including 3 Sundays
- 11 – 19 years: four weeks including 4 Sundays
- 20+ years: five weeks including 5 Sundays.

The GLR also recommends churches allow pastors to carry over at least five unused vacation days each year.

NON - SALARY BENEFITS CONTINUED

Expense Accounts

The GLR recommends churches provide pastors with an accountable expense account for pastors to attend conferences, continuing education, ministry development resources, coaching, retreats, etc. An accountable expense account must be for ministry purposes and the pastor must provide receipts.

Workers Compensation Insurance

Michigan, Illinois, and Wisconsin require all employers (including churches) to provide worker's compensation coverage for all employees (including pastors). Contact your insurance agent regarding a worker's compensation policy.

Sabbaticals

724. Sabbatical for Pastors.

Every Wesleyan church is encouraged to provide a sabbatical leave for its pastor(s) at least every seven years of service. A sabbatical shall be for a minimum of four weeks in excess of vacation time with financial provisions as approved by the local board of administration (723, 746).

Like The Discipline, the GLR recommends churches provide lead pastors with a sabbatical at least once every seven years. For full-time pastors, the recommended sabbatical length is three months but should be a minimum of two months. During the sabbatical, the church continues to pay the pastor's full salary and benefits. The GLR also encourages churches to provide the pastor with a sabbatical allowance to cover sabbatical expenses. During the sabbatical, the church will cover the cost of the pulpit supply. Please contact the GLR for a list of pastors who provide pulpit supply in your area.

For more information and recommendations about sabbaticals, please visit GLR's website at www.thegl.org/sabbaticals

BUDGET EXAMPLE

PERSONNEL (50%-60%)

Salaries (including housing allowance) health / dental/ vision insurance, payroll taxes, retirement contributions, workers compensation insurance

FACILITIES (10%-25%)

Mortgage payment, rent, utilities, sinking fund savings, depreciation, snow plowing, landscaping, repairs & maintenance, insurance

ADMINISTRATION (5%-15%)

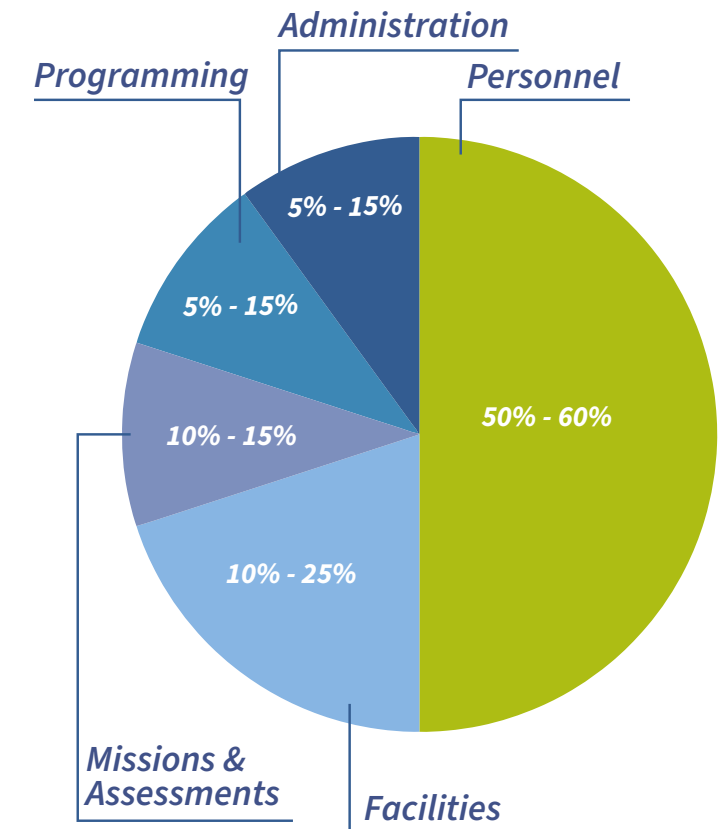
Subscriptions, licensing, office supplies, meetings, accounting, travel, meals, resources, training, technology, furniture, music, equipment, fees, software, marketing, phone/internet

MISSIONS / ASSESSMENTS (10%-15%)

Missionary support, donations to non-profits, community partnerships, USF

PROGRAMING (5%-15%)

Events, internal ministries (youth, kids, adult, etc), staff discretionary budgets, staff trips & conferences, groups, performances, serve projects, staff retreats, celebrations



NEED HELP WITH PASTOR COMPENSATION?

PASTORAL COMPENSATION RESOURCES

Minister's Tax & Financial Guide

www.ecfa.org/TaxGuides/Default.aspx

Ministers' Tax Guide

www.guidestone.org/Updates/Ministers-Tax-Guide



For help and questions on pastor compensation, please contact the GLR's CFO, Andy Miedema.

Andy Miedema
amiedema@thegl.org

2023-24 Employee Compensation Agreement

Employee: Employee Name

Employment Status: Full Time or Part Time. If part-time, state expected weekly hours.

Annual Cash Salary (including housing allowance): \$xx, xxx

Benefits: You will be eligible for the benefits, including:

Health Insurance for you and your family

Dental Insurance through Delta Dental for you and your family

Vision Insurance through VSP Insurance for you and your family

Cell phone reimbursement

The church will contribute 12% of your salary to your Wesleyan Pension Fund account.

Life Insurance and Disability Insurance provided through the Wesleyan Pension Fund

Full Strength Network subscription provided by the GLR.

Eligibility for Sabbatical and Sabbatical Allowance with LBA approval

Vacation: You are eligible for 15 paid vacation days annually, including 3 Sundays.

Employment with [Church Name] is employment at will. Employment at-will may be terminated with or without cause and with or without notice at any time by the employee or [Church Name]. There are no other agreements or understandings between you and [Church Name] concerning your employment. Rules relating to your employment are outlined in our [Staff Handbook] provided to you.

Employee Name

Date

LBA Chair

Date