**Pastoral Compensation Tool Guidelines**
*(updated January 2023)*

**Purpose:** The Pastoral Compensation Tool is designed to assist ministers, sessions, and presbyteries in assessing whether the terms of a minister's call enable him to be free of worldly care and concern (see the *OPC Form of Government* chs. 22 and 23). There is no one-size-fits-all approach to creating a call. Consequently, what is offered is a tool that provides guidelines for discussion and evaluation of what is to be included in an adequate call.

For further thoughts on the factors that lead to an adequate provision of salary and benefits, along with a more detailed explanation of the compensation tool, see the link *How Much Should We Pay Our Pastor?*

One of the most common questions received about the Compensation Tool regards the lack of a Cost-of-Living Adjustment (COLA) based on the region of the country. From the research that led to the development of this tool, it was determined that the two primary factors that lead to regional variance in living expenses are housing and health insurance costs. Because these items are separate line items in the Compensation Tool, amounts that fit that a given area of the country can be entered into the tool. Even so, it may yet be worth considering if some of the expenses, such as food and clothing, that are in the base salary portion should have a further COLA adjustment.

Further explanation of the Pastoral Compensation Tool:

## I. LIVING EXPENSES: An adequate call must make provision for these needs.

• **Base Salary** (See https://aspe.hhs.gov/poverty-guidelines for poverty guidelines based on family size). Living at the poverty line would mean a pastor has enough funds to subsist but not to save for a future vehicle purchase or go on vacation. With study, it was determined that 1.5 times the federal poverty rate is almost always necessary for the first three members of the household in order to manage family budget needs, but then a declining multiplier can be used for additional members, 1.25 for the fourth and fifth members of the household, and then by the sixth member and more, a family is sufficiently above subsistence level that it is reasonable to simply add the federal poverty level increase per child without a multiplier. A proposed base salary that is below the recommended minimum for a given household size should not be approved by the presbytery without giving due consideration to other sources of income.

Additional consideration was given to the needs of single pastors, as the tool was producing very low estimates for their salary, even with appropriate increases added for years of experience. Beginning in 2022, the household size recommendation for single pastors is now equivalent to that of a married pastor without children.

The Base Salary ought to cover the following living expenses:

- **Food**
- **Clothing**
- **Personal/Family Vehicle Use** - This is for non-ministerial vehicle use. (Mileage used in ministerial work should be considered a separate expense, submitted to the church, and reimbursed at the IRS allowable rate. This reimbursement should be outside the minister's compensation package).
- **Recreation/Vacation** - A minister should have something in his personal budget for rest and relaxation. A church does well to invest in the mental, emotional, and physical well-being of its minister.
- **Miscellaneous** - This category is the catch-all for other costs involved in day-to-day living: personal hygiene, cards and gifts, haircuts, etc.
- **Savings -** It is part of wisdom to be saving money for future needs, including major automobile repairs and future automobile purchases. An adequate base salary should allow the minister to have a savings account for use as an emergency fund.
- **Years of Service Increase –** The CMC suggests 3% per year of service, using 1.5 times the federal poverty rate for a household of two as the initial base salary. From there, the year of service increase compounds by taking 3 % of the previous year's salary for the following year. (E.g., Year 1 experience increase is $29,580 x .03, or <u>$887.40</u>, for a new base salary of $30,467.40. Year 2 experience increase is then $30,467.40 x .03, or <u>$914.02</u> for a Year 2 increase, leading to a new base salary of $31,381.42, and so forth).

• **Housing Allowance -** The Housing Allowance provides ministers with a significant tax benefit. The total annual figure for anticipated housing-related expenses should be designated as a Housing Allowance in the session meeting minutes in the months prior to the calendar year in which the Housing Allowance will be claimed. Housing Allowance should be in addition to Base Salary.

The Housing Allowance is based on the sum of the following:

- **Rent or house payments** - These may include the mortgage, interest, and insurance if the minister owns a home. Or this may include the cost of rent or the fair rental value of a parsonage/manse if one is provided to the minister as part of his compensation.
- **Utilities** - These typically include electricity, gas, water, sewer, phone, cable, and internet.
- **Maintenance** - This may include pest control, gardening supplies, interior, and exterior painting; exterior repair/replacement of siding, windows, and roof; appliance repair/replacement, furniture repair/replacement, all kitchen and cleaning supplies, home decorating, etc.

• **Debt** - Many ministers come out of college and seminary with substantial school debt. Provision should be considered to help cover monthly payments. This compensation ought to be in addition to the Base Salary.

**II. MEDICAL and RETIREMENT EXPENSES: An adequate call must make provision for these needs**.

- **Medical/Health Insurance** - The church should pay the cost of premiums for the pastor and his family, and might also consider covering out-of-pocket medical expenses, including deductibles and co-pays. If the pastor is the church's only full-time employee, they are exempt from ACA requirements to count medical reimbursement as salary for tax purposes. Likewise, churches with more than one full-time employee can investigate ICHRA and similar vehicles for providing health insurance with less or no tax consequences.

- **Retirement** - The CMC strongly recommends that 10% of a minister's salary (Base Salary + Housing Allowance) be invested annually for retirement, preferably in the OPC 403(b) Retirement Plan. CMC recommends that a minister's call not be approved that has less than 5% of his salary invested annually toward retirement.

- **Social Security** - One-half of a minister's Social Security tax should be paid to him in extra salary. For ministers who have opted out of Social Security, the church should provide one-half of what would have been the minister's Social Security tax to be invested for his retirement. Likewise, at minimum, ministers who have opted out of Social Security should be investing the equivalent of what would have been paid in Social Security taxes.

**III. OTHER EXPENSES: An adequate call should make provision for these needs.**

- **Disability and Life Insurance** - Good stewardship includes planning for the future so that a minister's personal and family needs can be met in an emergency without creating an unnecessary diaconal burden on the church.

- **Christian Education** - A minister with children may need assistance with costs related to their Christian education.

- **Ministry Expenses**
    - Books
    - Continuing Education
    - Conferences
    - Cell Phone
    - Computer Equipment