



#### **Our Mission**

Making Disciples of Jesus Christ for the transformation of the world.

#### **Our Vision**

Grow in Love of God and Neighbor  
Reach New People  
Heal a Broken World

#### **Aspirational Expression of Our Vision as Lived Out Values**

Rooted in Jesus  
Grounded in Wesleyan Theology  
Inclusive of All Persons  
Engaged in the Work of Justice and Reconciliation

## **Pastoral Compensation Considerations**

When a new pastor comes to an appointment, the Staff Parish Relations Committee (SPRC) works with the district superintendent to set the new compensation. However, after that's done, it really is the responsibility of the SPRC to yearly review and recommend adjustments to that compensation. As a conference, we do have a minimum compensation base for every pastor. You can see the equitable compensation schedule on the *Salary Sched & Yrs of Service* tab on Pastoral Compensation forms. You can find explanation of the policy 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 SPRCs 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 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 high school principal receives, since the schooling and responsibility are similar. (Consider the combination of salary and housing for the pastor when comparing with other professions.) 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, in-coming pastor. Salaries are not directly negotiated with the in-coming pastor.
- Years of service and depth of experience are 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 SPRC's awareness of these unique salary considerations and cultural differences is important.

**Inflation Rate**—An important consideration each year is the inflation rate (e.g., 2021 estimated to be at 4.2%). Without adjusting the salary, at least for inflation, the pastor really ends up with a salary cut. This should be considered for housing allowance as well, if applicable.

**Job Performance**—Growth in effectiveness and/or responsibility should be considered when setting the salary each year. Has your pastor been adequately evaluated, and has the pastor met those mutual expectations 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, but self-employed by the Social Security Administration. One of the consequences of this is that they are required to pay 15.3% of the compensation (including the housing allowance or fair rental of the parsonage and the utilities) as the self-employed portion of the personal payroll tax.

**Other factors**—Are there other important considerations about compensation that the SPRC 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. (Note: the pastor does not contribute to the premium if they select low premium health plan. They can also choose not to contribute to UMPIP.) 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 SPRC and Trustees to do an annual walk through of the parsonage to address any maintenance or improvement needs. This ensures that your pastor is able to live 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 also is 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 AC grant after 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.

AC funding in partnership with a host/parent congregation is managed in a collaborative way in partnership with the Director for Congregational Development.

## **Other Important Items for Consideration**

Do you know your pastor's needs and the stressors that affect financial well-being? Pastors are reluctant to share any hint of need or distress. It could be helpful for one or two SPRC members to 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.

Even though we don't count them as compensation, the SPRC 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 Pastor Appreciation Month, in which many churches show gratitude for the pastor's leadership and commitment to the church's mission. Of course, Christmas is a time to show that as well.

## **The Impact of the COVID pandemic**

No one could predict the onset of a pandemic in 2020 much less the effect on work and life. The implications for a pastor leading a church were, and still are, significant. Swift and nimble adaptations were required to move from not only in-person Sunday worship, but to *all* types of interactions and gatherings. Not only did our clergy need to adapt as a pastoral leader, but needed to make personal adjustments as well.

With a return to in-person worship, 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 are many. A return to the old norm is not going to happen.

The stress these adaptations 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 SPRC to discuss and consider with the pastor a plan for renewal time. As mentioned before, it's important that at least one person on the SPRC be the pastor's trusted advisor in these more sensitive matters.

### **CARES Act Provision Extended**

The CARES Act provision allowing employers to adopt the Section 127 Plan to pay down church employees' educational debt without any tax implications to the employee has been extended through 2025. The maximum amount of debt payment is \$5,250 per person. (Normally the amount would be taxed.) The plan must be adopted and the loan payment made by the end of each year through 2025 under this provision. This is another opportunity for the SPRC to support church employees. To learn more about this option, view this [video](#) created by Jeff Pospisil, Conference Treasurer of the Dakotas Annual Conference. If you have additional questions, email [Diane Owen](#), Program Director, and/or [Barb Brower](#), Conference Treasurer of the Minnesota Annual Conference.

### **Helpful Videos on Clergy Compensation**

Clergy compensation is complicated. It is important that the SPRC understands the various factors described above. For more helpful information, consider viewing the following videos prior to setting next year's compensation for your pastor. At least one person on the SPRC needs to be familiar with the information covered in the videos. The videos were recorded by Cindy Gregorson, Director of Connectional Ministries and Clergy Assistant to the Bishop, and Cullen Tanner, pastor of Roots & Branches and Technology and Ministries Specialist.

[Clergy Compensation Part 1](#) (Salary and Housing)

[Clergy Compensation Part 2](#) (Benefits and Taxes)