

The American Baptist Churches of Massachusetts 2012 CLERGY COMPENSATION BOOKLET

Introduction

American Baptist churches are covenanting churches. When the church calls a pastor, it covenants to compensate fairly and the pastor covenants to serve faithfully. As compensation is considered each year, it becomes an annual renewal of the covenant relationship.

We as American Baptists have a responsibility to provide for the financial needs of the pastoral staff to the best of each congregation's ability. Each local church determines its own personnel policies and salaries, and develops a compensation package within the budget approved by the appropriate board of the church.

The church budget for a full-time pastor is the cost of all the expenses related to the position and is not the same as the actual compensation received by the pastor.

The following information is intended to provide guidelines to determine fair or proper compensation for persons serving as full-time solo or senior pastors in the church.

It is hoped that in establishing these guidelines, American Baptist churches will:

- I. Insure that compensation and benefits for clergy will
 - a. allow a reasonable, moderate standard of living according to local and/or regional measures;
 - b. attract, retain and support them to be faithful and fruitful ministers of the Gospel.
- II. Encourage initial salary placement that
 - a. recognizes differences in length and range of experience, and
 - b. takes into account the size, location, and financial resources of the congregation.
- III. Promote salary advancement and benefit improvements that reflect personal growth and experience in role, expanded responsibilities and performance.

The cooperation of the laity and the clergy is greatly enhanced by sensitive compensation policies for all that serve in the local church. An atmosphere of caring and trust fosters an open, healthy relationship between pastor and congregation, which all too often can be shattered by misunderstandings or tension over compensation issues. Therefore, it is strongly recommended that annual salary negotiations be carried out with candor, clarity and in Christian love.

Annual Reviews

It is strongly urged that each church have an active Pastoral Relations Committee to facilitate communication between the pastor and the congregation. One important role for the Pastoral Relations Committee is to conduct an annual review with the pastor to determine effectiveness in reaching goals and objectives in the past period of time, and to mutually agree on the mission and goals in the period ahead.

Such reviews or evaluations should be done in an atmosphere of trust and respect where mutual expectations are openly and candidly discussed. Using such a review for crisis intervention or last-minute problem solving is not intended. To do so would be as much a mistake as omitting performance reviews when things appear to be going well. The role and functions of such a Pastoral Relations Committee are described in a video and booklets listed in the Bibliography of Resources included at the end of this report.

Definition of Terms

Proper Compensation: A moderate standard of living in each community reflects a fair measure of the level of income needed for an average family to maintain a moderate or adequate standard in the community.

Full time: The church is usually the pastor's only source of professional income and the pastor is ministering 40, 50 or sometimes more hours per week. The work schedule of the pastor should be healthy for the church

and healthy for the pastor. This requires balancing time spent between needs of the church's ministry and the needs of the pastor for family time, exercise of the body and mind, and care for self.

Total Compensation: This includes *either*:

- (A) cash salary, plus fair rental value of the parsonage and utilities allowance
- or*
- (B) cash salary, plus housing allowance; or parsonage allowance (if any).

Total compensation *also includes*:

- Social Security offset (if any), and
- Equity Allowance (if offered)

Cash Salary: The undesignated portion of Total Compensation.

Housing Allowance: When there is no parsonage provided, the church provides a cash amount sufficient to allow a minister to buy, furnish and maintain a median-priced house in the church's community. Such costs would include mortgage payments, taxes, repairs, insurance, furnishings, utilities, etc. For the purpose of determining total compensation, it is suggested that the minimum cash amount for housing allowance should be no less than 1/100 per month of the value of a median-priced home in the community. (e.g., if a median-priced house in a community were \$150,000, the church's minimum housing allowance would be \$1,500 per month or \$18,000 per year.)

Once total compensation has been determined, the housing allowance designated in the church budget may need to be adjusted according to IRS requirements. The pastor should provide his or her actual or projected housing costs to the appropriate board or committee of the church. This board or committee should vote on the portion of the pastor's total compensation that will be designated for the housing allowance. It is excluded from federal income tax. If the pastor is audited by the Internal Revenue Service, it is his or her responsibility to document the actual housing expenses. Any unspent housing allowance must be reported to the IRS by the pastor. Pastors must pay Social Security/Medicare taxes on the housing allowance.

If the church is in the process of calling a pastor, an estimate can be made for the amount to budget for the housing allowance according to the guidelines above. The actual amounts for cash salary and housing allowance can be adjusted once the pastor reports the actual cost of his or her housing to the church. If the amount of the housing allowance is more than what was budgeted, the cash amount can be reduced. Likewise, if the amount of the housing allowance is less than what was budgeted, the cash salary can be increased. In either case, the total compensation provided by the church remains the same.

Utilities Allowance: Monies designated to cover the costs of expenses for utilities incurred by the pastor and family living in a parsonage, such as fuel, electricity, water, and telephone.

Social Security/Medicare Offset: Ordained ministers are considered self-employed for the purposes of Social Security and must pay the full Social Security tax. This means pastors must pay the current rate of 15.3% on the cash salary plus housing allowance, *or* on cash salary plus fair rental value of the parsonage plus utilities. Most ABC churches assist ministers with this tax by paying an amount to the pastor equal to 50% of the actual Social Security Tax due.

Equity Allowance: An amount offered to some clergy living in parsonages who are, therefore, unable to build any equity during their tenure. It is given in recognition of the disadvantage to such clergy to accumulate home equity that can eventually be used in a setting that does not provide a parsonage or in retirement. The Equity Allowance is considered a portion of Total Compensation.

Parsonage Allowance: A portion of the Total Compensation designated for furnishings needed for the parsonage. Tax laws for clergy govern this allowance.

Benefits: Life insurance, disability insurance and retirement benefits through the Ministers & Missionaries Benefit Board, and health insurance.

Ministerial/Professional Expenses: Includes, but is not limited to, automobile mileage reimbursement,

continuing education, convention and other denominational events, books and other resources, and hospitality. The church should establish a plan that allows for reimbursement of ministry related expenses, rather than including them in the pastor's income.

Compensation Package: All of the expenses incurred by a church in supporting the ministry of a pastor. It includes Total Compensation, Benefits and Ministerial/Professional expenses.

Cash Salary Guidelines

The guidelines are offered as a starting point for churches to use when determining the cash salaries offered to pastors who are serving full time. These guidelines will be reviewed each year and the current year is included in this booklet as the back.

The range of figures on the guidelines is based on the pastor's experience and the church's average worship attendance. It is hoped that churches will also consider other factors, such as education or training, length of pastoral tenure, significant accomplishments, skills acquired in other occupations, and the cost of living in any given community.

Because the pastor is required to be a highly educated and trained professional, his or her Total Compensation should be comparable to the compensation of other similarly trained professionals in the community or pastors of other comparable churches in the community.

Some clergy may not be compensated at the minimum recommended level. Churches are strongly urged to set goals with timetables for reaching the minimum level. For example, it may be necessary to set the goals each year over a 3- to 5-year period, so that each year incremental steps over and above the regular annual increase will be taken to reach the minimum recommended level.

Churches close to but not quite able to provide the minimum compensation package for a pastor should confer with their Area Minister for assistance in applying for a short-term subsidy. They should also consider exploring one or more of the following options.

Options for Churches Unable to Support a Full-Time Compensation Package

1. Reduction of hours the pastor works
2. Alternative forms of compensation; e.g., extra time off, forgive loan given by church or other creative ways to meet individual circumstances
3. Bi-vocational ministry
4. Sharing pastor with another congregation

Recommended Cash Salary for 2012

Annual Supplement to Clergy Compensation Booklet

Article I. Suggested Guidelines for Compensation of Full-Time Solo or Senior Pastors

The guidelines or ranges below are offered as a starting point for churches to use when determining the cash salaries offered to pastors who are serving full time. Because the pastor is required to be a highly educated and trained professional, the Total Compensation should be comparable to the compensation of other similarly trained professionals in the community or pastors of other comparable churches in the community.

Article II. Cash Salary Ranges for Full Time Solo or Senior Pastors*

* Cash Salary does not include housing, benefits, or professional expenses. Refer to Clergy Compensation Booklet for definitions of Total Compensation and other terms used.

Recommended Cash Salary for 2012

Average Worship Attendance	<u>Years of Experience</u>								
	1 to 4 years		5 to 9 years		10+ Years				
0-50	<i>Part-Time Pro-Rated</i>								
51-100	\$32,931	to	\$42,586	\$35,846	to	\$47,287	\$38,643	to	\$50,856
101-150	\$32,931	to	\$45,130	\$35,846	to	\$50,726	\$41,733	to	\$57,083
151-225	\$32,931	to	\$48,136	\$41,204	to	\$55,702	\$44,824	to	\$63,819
226-325	\$32,931	to	\$51,105	\$44,234	to	\$59,501	\$47,914	to	Open

It is important to recognize that these are ranges, not exact dollar requirements, and will vary among clergy to show individual differences in training and education, years of experience, tenure and special skills.

Suggested Guidelines for Compensation of Part-Time Positions

The compensation for part-time positions should be proportionate to the time required by the congregation in relation to a full-time position, e.g., half-time, three-quarter time. Details of negotiating a compensation and benefits package for a part-time position may be complex, depending on the variables of housing or other factors.

Suggested Guidelines for Compensation in Multiple-Staff Churches

The following information is intended to assist in setting compensation in multiple-staff churches. Wide variations in churches and the scope of their respective programs require thoughtful discretion to be applied in determining which level (and at what point in the range) is appropriate to a specific position and the individual person. *Also, since living costs vary within Massachusetts, particularly with respect to housing, local variables must be considered.*

Each church is urged to consider all of the factors unique to its own situation, and to reach a mutually satisfactory salary for its staff members.

Level A: Compensation at 70-85% of Cash Salary of Senior Pastor

This staff person has specific responsibilities for two or three areas of congregational life, requires minimum supervision and the expectations are that prior experience or at least advanced capability are required.

Level B: Compensation at 65-75% of Cash Salary of Senior Pastor

This staff person has professional entry-level skills. It is assumed that substantial supervision and on-the-job training will be needed. Primary responsibilities are limited to one or two areas.

For more information contact

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ADDITIONAL RESOURCES AT THE MINISTERS AND MISSIONARIES BENEFITS BOARD: WWW.MMBB.ORG