

## CLERGY COMPENSATION

Most clergy hate talking about money, especially when it comes to discussing their personal compensation. Most parishioners also hate talking with their rector about the rector's compensation. Consequently, the issue of compensation is often disastrously ignored until after a call is issued. If compensation is not discussed until after a call is made, the vestry may feel pressured into paying more than they could afford, while clergy may feel cheated when their compensation is less than anticipated. Many pastoral relationships have been permanently derailed by, or begun under, a cloud of compensation issues. The cost in human suffering and the financial expense of a failed search means addressing the issue early in the process is the wisest course of action.

The following are some of the issues a parish needs to take into account when examining clergy compensation:

- Concurrent with the preparation of the parish profile, another committee needs to develop a compensation plan for the new rector. This information needs to be provided to candidates in the position announcement at the beginning of the search process rather than at the end.

The compensation can then become part of the conversation with prospective candidates. Since the rector will be having these questions once a year with the vestry, it makes sense to include them in the search process and gain some understanding of the candidates' attitudes and comfort in having these conversations.

- The compensation committee does not need to be large. Three people can more easily develop a plan than eight.
- Occasionally, vestry members think that it is not a good bargaining principle to disclose the full compensation plan before a call is made. These feelings often arise when compensation negotiations with the former rector were bitter conflicts. Such feelings are an indication of the need for healing and forgiveness rather than a hard-nosed negotiation stance. Resolve the past before embarking on the future. Effective ministry can only occur in an atmosphere of love and trust. A new rector means a new relationship and a new opportunity to trust. Trust requires openness and a clear understanding of what is expected and what is offered in return.

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*Remain in the  
same house,  
eating and drinking  
whatever they provide,  
for the labourer deserves  
to be paid.*

— Luke 10:7

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*People expect  
the clergy to have the  
grace of a swan,  
the friendliness  
of a sparrow,  
the strength  
of an eagle and  
the night hours of an owl  
— and some people expect  
such a bird to live on the  
food of a canary.*

— Edward Jeffrey

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*Even Noah got no salary for the first six months partly on account of the weather and partly because he was learning navigation.*

— Mark Twain

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*If you don't appreciate it, you don't deserve it.*

— Terry Josephson

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- Clergy compensation plans are often more complicated than those of other professions because housing allowances impact tax liability. For income tax purposes, clergy are generally considered employees. For Social Security purposes, clergy are generally considered self-employed. While not subject to income tax, housing allowances are subject to Social Security tax.
- If the parish provides housing, the rector is liable for the full Social Security tax on the fair rental value of the property. When the parish owns a substantial house in an affluent neighborhood, the Social Security tax on the fair rental value can run into thousands of dollars per year.
- When a clergyperson owns their own home, they may combine their stipend and housing allowance and then designate a larger portion as housing allowance. This must be recorded annually in the vestry minutes. The clergyperson is required to spend the entire housing allowance on housing, or they will incur income tax liability on the unspent amount. While the cost is no different to the parish, there may be considerable tax savings to the clergyperson.
- During the transitional period some parishes go through a period of financial decline and may wonder if they can afford a full-time rector. However, the authors' experience in transitional ministry suggests that most do achieve their goal of sustaining a full-time ministry. Diligent stewardship, faithful service, and trust in God's providence are essential.
- Set a range for the stipend that the congregation can realistically afford. The actual stipend will depend on the rector's education and experience.
- The National Episcopal church does not recognize discretionary funds as part of a clergy benefit. Rather, they are considered alms from the people, shepherded by the clergy, to those in need.
- If the parish has engaged a part-time transitional pastor, don't be misguided by the improved cash flow when not paying a full-time rector. A wise decision is to maintain the budget and place the compensation surplus in an account to offset the cost of the search, relocating the new rector, and providing a financial buffer for the first year of the new rector's ministry.

- Most dioceses or denominational leadership have established policies that provide the framework for determining a compensation plan. They will also be able to provide technical information with regard to pensions, health care, taxation, and other related material.
- The task of the compensation committee is not to create compensation policy but to provide the vestry with the information they need to create a compensation plan. The final plan needs to be accepted and approved by the vestry.

### **Required Expertise on the Compensation Committee**

- At least one person who is very familiar with the parish finances. The treasurer of the parish is usually an ideal choice.
- Someone with knowledge of the local housing market who can provide a realistic assessment of current housing costs.
- Someone with knowledge of employment compensation, taxation, and benefits, and how these relate to clergy (which is typically different than how they relate to the general population).
- A liaison person from the vestry.

### **What the Compensation Committee Does Not Need**

- Someone with a history of distrusting clergy — especially when it comes to finances.
- Someone who has consistently demonstrated the belief that clergy are not worthy of adequate compensation.

On the following page is a worksheet for setting out a clergy compensation plan. This needs to be completed and ratified by the vestry at the same time the parish profile is approved.

### **Moving and Transition Expenses**

While not part of compensation, most churches pay for the rector's moving expenses. The actual cost will vary depending on the rector's current location and the size of their household. Talk to several moving companies to obtain an estimate on expenses so that the congregation can create a realistic budget for the relocation process. Consulting with other parishes in the diocese who have recently called new rectors may help you to determine the cost of "house hunting" trips and moving expenses, and develop a budget accordingly.

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*We strongly recommend that the compensation package be prepared at the same time as the profile and be included in the materials sent to prospective candidates.*

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*Be honorable yourself if you wish to associate with honorable people.*  
— Welsh proverb

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*This country will not be a good place for any of us to live in unless we make it a good place for all of us to live in.*  
— Theodore Roosevelt

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## Clergy Compensation

**Instructions:** Check all categories and figures with regard to tax laws and diocesan or denominational policies and guidelines.

<b>Stipend:</b> Set upper and lower limits. Actual stipend to depend on education and experience Is allowance for Social Security tax provided ?	Lower Limit _____	Mid-Range _____	Upper Limit _____
<b>Housing:</b> a: Provided by Rector i. Housing Allowance or b: Provided by Parish i. Fair Rental Value ii. Social Security tax on fair rental value. Who pays? iiii. Utilities Allowance iv. Equity Allowance	_____ _____ _____ _____		
<b>Pension:</b> Generally a percentage of the combined Stipend and Housing. (For Episcopal Church use 18%)	_____		
<b>Car Allowance:</b> a: Parish provides car. Budgeted cost per year. or b: Clergy supplies own car. Anticipated cost per year.	_____ _____		
<b>Other Reimbursed Business Expenses:</b>	_____		
<b>Health Benefits:</b> This will vary depending on the insurance company and the number of people covered under the plan. For planning purposes use a couple with two children.	_____		
<b>Continuing Education:</b> Number of weeks per year Continuing Education Expense Reimbursement	Weeks _____	Cost _____	
<b>Vacation Leave:</b> Number of weeks per year Cost of Supply Clergy During Vacation	Weeks _____	Cost _____	
<b>Sabbatical Leave:</b> Accrual Rate. Weeks per year. Contribution to Sabbatical Fund per year	Weeks _____	Cost _____	
<b>Total Cost of Compensation Plan:</b>	Lower Limit _____	Mid-Range _____	Upper Limit _____