



## **PAYING OUR PASTORS**

Guidelines and Best Practices for Church Boards and  
Councils in determining salaries for Lead Pastors

# FREQUENTLY ASKED QUESTIONS

## HOW MUCH SHOULD WE PAY OUR PASTORS?

Consult the "Salary Worksheet" available for download by selecting "Setting Pastors' Salary" at [www.maritimepaoc.org/church-board](http://www.maritimepaoc.org/church-board)

## HOW DID THE DISTRICT EXECUTIVE DETERMINE WHAT A MINIMUM BASE SALARY SHOULD BE?

It was difficult to establish the minimum as there are so many variables from town to town. The District Executive looked at clergy salary figures across Canada and in the Maritimes. They also considered the salary of pastors in other denominations in the Maritimes. Lastly, they looked at other professions in the Maritimes. For example, according to the NS teacher's union site, starting salaries for teachers today is at \$48,000. As we understand it, this does not include any benefits (the starting salary of a teacher in your area would be a good reference to use when considering your pastor's salary).

## WHAT DO OTHER PASTORS GET PAID?

This is a difficult question to answer because congregations, communities, and costs of living are so diverse. By way of information, in 2005 the average salary of a PAOC pastor of a congregation size of 200 to 499 was \$61,543. Similarly, in 2005, the average salary of a PAOC pastor of a community size of 10,000 to 24,000 was \$44,856.

## HOW DO WE SET SALARIES?

First, authority should be given to a committee of 3 or 4 to inquire into all the circumstances relating to church staff salaries and come up with a recommendation to the board/council. This group should consult the District office for advice and resources.

Secondly, the board/council should review the committee's report and discuss the recommendation with the committee.

Last, the board should determine the salary, housing, and benefits amount, taking into account the finances of the church and the appropriateness of the committee's recommendation.

This process should be done for the initial setting of salary and then repeated every few years.

Raises should be considered annually and the salary should be increased at least by the cost of living.

## IS THERE A PROCESS RECOMMENDED FOR REVIEWING SALARIES?

The board/council should perform an annual review of salary/benefits and workplace for all paid staff in October/November. The salary review process is intended to be an *open and transparent* dialogue between paid staff and the board/council.

1. The board/council will meet with the lead pastor to discuss the job performance of the lead pastor and staff.
2. The lead pastor will be present for all discussions regarding staff since they are hired by and accountable to the lead pastor. The lead pastor will leave the room when the board/council makes the salary/benefit decisions regarding the lead pastor.
3. Following the board/council's review, they will communicate their decisions to the lead pastor along with any comments in writing related to their decisions. The lead pastor will communicate the salary decisions to each staff.
4. The salary review process will remain open for two weeks in order for the lead pastor and staff to communicate any questions or recommendations to the board/council regarding the decision before the board/council's decision is considered as final.

5. Factors to consider during this review should include, but are not limited to the following:

Salary/Benefits Review:

1. How well have they fulfilled their job responsibilities?
2. Are they being compensated properly for the level of responsibility they carry and the hours they work?
3. Are they contributing towards the growth of the church or are they maintaining? Are they growing their areas of responsibility?
4. Do they have growing family needs?
5. Are there changes in their personal situation that should be considered?
6. What is the cost of living increase for the past year?
7. Have we asked them if there are any changes they would like to see in their salary/benefits package?
8. Do they interact well or do they create strife with others?
9. Is their vacation time appropriate?
10. Is their health and medical coverage appropriate?
11. Are their pension/retirement fund contributions appropriate?
12. Are they actively growing in their area of ministry?
13. For support staff: Do they eagerly support the vision of the church?

Workplace Review

1. What changes, tools, equipment or resources would improve the workplace?
2. Is the office atmosphere positive and healthy?

**WHAT IF WE ARE ALREADY PAYING MORE THAN THE MINIMUM?**

When a search committee is prayerfully considering the calling of a new pastor, its task must be to first determine if a candidate possesses the gifts needed to do the ministry. The negotiation of a salary package should always be secondary. The basic rule of thumb is to be as generous as possible while considering education, credential, experience, and performance.

**WHAT IF WE CAN'T EVEN PAY THE MINIMUM?**

If you can't pay the minimum the pastor should receive a reduced work-week (i.e. part-time) and/or increased vacation time. Other ideas may include giving the pastor the opportunity to travel and speak, work a part-time job, or consider drastic budget cuts in other areas.

**WHAT SHOULD WE DO FOR OUR PASTORS' PENSION?**

The church should contribute at least 5% of the pastor's total salary package, with the pastor paying a matching amount by payroll deduction. Constitutionally, churches are required to contribute to the Pastor's retirement plan.

The PAOC Pension Fund is a multi-employer, defined benefit plan, guaranteeing a lifetime pension with annual increments. Federally incorporated and registered in the various provinces, the Fund follows legislative guidelines applicable to all Canadian pension plans.

Enrolment is open to all PAOC credential holders and eligible staff of PAOC churches and affiliates. It is an excellent way to save for retirement, generating an expected pension benefit based on 10% of all employee and employer contributions received.

The Pension Fund info on the PAOC website will provide most everything you need, including forms, contribution minimums and limits. Visit: <https://paoc.org/resources/pension/about>

**WHAT SHOULD WE DO ABOUT OUR PASTORS' LIFE, MEDICAL AND DENTAL INSURANCES COVERAGE?**

The District has an excellent group benefit plan with Kechnie Insurance. You can visit Kechnie's Maritime District Portal at <http://www.kechnie.com/paoc> (Username: Maritimes – Password: benefits)

## **HOW MUCH VACATION SHOULD BE GRANTED?**

We recommend the following vacation amounts...

- A. The Lead Pastor should receive four weeks vacation as well as two long weekends off (as most pastors must work "long weekends"). After five years of service, the Lead Pastor will receive five weeks of vacation.
- B. Other pastoral staff should receive at least two weeks vacation after one year of service. After three years of service, they will receive three weeks vacation.
- C. Length of service will include years served as a pastor prior to coming to the current church.
- D. One extra week is granted after each consecutive five years thereafter, to a maximum of six weeks.
- E. The Board of Deacons approves the vacation dates for the Lead Pastor.
- F. The Lead Pastor approves the vacation dates for all other staff or in the absence of the Lead Pastor, the Board of Deacons will approve vacation dates.

## **WHO PAYS FOR DISTRICT CONFERENCE AND FALL CONFERENCE?**

Every local church agrees to send their pastor to district conference as stated in the Local Church Constitution. The church should fully reimburse their pastors for all costs to attend the annual conferences. This should be placed in each church's annual budget for all pastoral staff. As a credential holder conference attendance is expected.

## **WHAT ABOUT HIS/HER COMPUTER?**

Due to the increasing use of the Internet as a research and communication tool, we recommend the church provide their pastors with at least basic Internet access. Much of our communication and resourcing from the District Office will require high-speed capability (i.e. videos, webinars, etc.) so high-speed should be considered.

The pastors' computers should be provided by the church and replaced after every 5 years or as needed.

## **HOW DO WE INVEST IN OUR PASTORS' CONTINUING EDUCATION?**

The District has made investments to provide leadership and training opportunities for both lead and staff pastors. We encourage every church to make provisions for their pastors to participate in the Healthy Church Network or Optimize. These are learning communities targeted at helping your pastors lead well.

Where possible, we encourage churches to consider providing allowances for continuing education:

- 1. Up to one week, in addition to annual vacation;
- 2. \$500 tuition or books;
- 3. Both 1 and 2 could be accumulated.

## **HOW DO WE GIVE OUR PASTORS A GIFT?**

A gift (either in cash or in kind) to a Pastor is a benefit derived during or because of employment. A cash or near cash gift of any amount is deemed by CRA to be a taxable benefit. A church may give numerous non-cash gifts to the Pastor as long as the total value is less than \$500 annually.

Should a church follow the practice of collecting personal gifts from individual members of the congregation for the Pastor at Christmas or other occasions, the amount would not need to be reported as part of the pastor's salary if:

- 1. The amount is not included in the income or expenses of the church
- 2. Those members do not receive an official receipt for their gift

Such gifts would not be given in recognition of pastoral services rendered by the Pastor, but in recognition of the personal relationship that develops between the Pastor and the church members. It is preferable that the members give such gifts directly to the Pastor.

## **HOW DO WE MANAGE PASTORS' CLERGY RESIDENCE DEDUCTION?**

The legislation to implement the clergy residence deduction provisions was passed into law on June 14, 2001. Members of the clergy, regular Pastor and members of religious orders, who also meet the function tests described in the Canada Revenue Agency Interpretation Bulletin IT-141R, may now claim a maximum deduction equal to the fair rental value of the home occupied PLUS the cost of utilities. Assuming a full year of employment the deduction is as follows:

3. For eligible individuals whose gross remuneration from the qualifying employer, including all taxable allowances, is \$30,000 or less per annum, the claim is the lesser of (a) \$10,000 and (b) the total of the fair rental value PLUS the cost of utilities.
4. For eligible individuals whose gross remuneration from the qualifying employer, including all taxable allowances, is greater than \$30,000 per annum, the claim is the lesser of (a) the fair rental value PLUS the cost of utilities, and (b) one-third of gross remuneration.
5. Fair Rental Value is the estimated monthly amount that the accommodation can be rented for, without heat or utilities supplied. Usually, a local real estate agent can give the church a written estimate of the fair rental value. If an agent is not available, an estimate can be made by the church trustees, based upon the size and condition of the home and in comparison with other rented properties in the area. Utilities, as understood by the Canadian Council of Christian Charities, will include electrical, heating, water and sewer expenses. Other expenses, such as telephone, cable and Internet costs, are NOT included under the definition of "utilities". In situations where there is a phone in the parsonage but there isn't one in the church, the phone costs, other than personal calls made by the Pastor's family, should be seen as an expense of the church and not a taxable benefit to the Pastor. If, however, the Pastor is provided with a phone and there is also a phone in the church (different phone number), then the cost for the parsonage phone would be seen as a taxable benefit to the Pastor.

In addition to reducing the amount of income tax deducted from a Pastor's pay, CPP premiums will be reduced as well. Since EI premiums are based upon the total salary package, there will be no reduction in those premiums.

The Pastor is required to complete the CRA Form T1223 on a yearly basis. The Pastor does not have to file this form with their income tax return, however, a copy must be kept on file in case CRA requests to see it. Form T1223 - <http://www.cra-arc.gc.ca/E/pbg/tf/t1223/README.html>

Anyone claiming the clergy residence deduction and wishing to have their taxes reduced at source for the following year is required to complete and send in CRA Form T1213 - Request to Reduce Tax Deductions at Source. This form must be filled out and submitted to the local tax office as soon as possible for approval. Pastors will be required to include a copy of Form T1223, along with their job description as supporting documents. The job description should indicate the percentage of time per week for each duty.

Form T1213 will have to be filled out annually in the fall in order to receive permission for the following year. If the Pastor decides not to do this, the treasurer is required to deduct income tax and CPP on the Pastor's total salary and the Pastor can make a claim to receive the income tax back by way of Form T1223 when completing their Income Tax Return. Form T1213 - <http://www.cra-arc.gc.ca/E/pbg/tf/t1213/>

## **HOW DO WE CALCULATE PAYROLL DEDUCTIONS?**

The CRA online payroll calculator is an excellent resource for calculating payroll and gives the various options for deducting the clergy residence deduction from income tax, CPP, deducting pension contributions, and more. As well, it helps you to calculate the employer's portion of CPP and EI. <http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/pdoc-eng.html>