

Pastoral Compensation



A Quick Guide from the North Central District

How should a church compensate their pastors? What about compensation for other vocational ministry staff? These are important questions. They can also be challenging to answer because of the many variables involved. This *NCD Quick Guide* will seek to provide general principles and overall framework to help your congregation establish generous, fair and fruitful practices in this important area.

Best Practices

- Pastoral compensation is an essential part of establishing healthy financial practices in a local church. Therefore, your congregation will want to prioritize biblical stewardship of the congregation's resources.
- Biblical generosity (rather than thrift and frugality) should drive this process, so your church leadership board should seek to be generous with your pastors and other paid ministry leaders.
- Equity within the congregation and community is also important; seek to establish pay and benefits that seem fair when compared to your church members and the broader community.
- Your local situation and the limits of your church budget are much more important than regional, state, or national pastoral compensation trends.
- In general, a church should spend 50-60% of its annual budget on compensation and benefits. However, local factors and unique ministry priorities may cause you to fall outside this range.
- Pastors need to take personal responsibility for understanding their compensation. While they are not (and should not be) in control of their own compensation and benefits, they must work to become knowledgeable about their local church budget, history, and practice in this area.
- Retirement should be a priority, and churches should work to develop compensation packages that include church retirement contributions and encourage additional personal retirement investment by paid ministry leaders. We recommend a minimum of 10% of annual salary. This should be done through a combination of church contribution and additional personal contributions.

Developing Your Local Church Framework for Pastoral Compensation

- In light of these best practices, your church should develop a flexible process to establish compensation packages for pastors and other vocational ministry leaders.
- As a minimum, your framework needs to include these things (other factors may be important too):
 - Church precedent (previous position salary, other current staff salaries)
 - Local demographics (especially median income of the congregation)
 - Importance of the role to the church (is this the most important paid ministry position? 2nd? etc.)
 - Level of responsibility and authority (pay should increase as responsibility and authority increase)
 - Local cost of living in the community
 - Education, experience, ministry credentialing (licensing and ordination), and years of service with the congregation
- Your church leadership board and congregation should check your work against comparable compensation packages for other local ministers, local schools, and regional and national norms (adjusted for cost of living). We suggest resources below that can help with this.
- While base salary will be different for vocational leaders based on the factors above, we recommend that benefits be equal for all full-time staff. In general, we recommend modest additional benefits for part-time staff. You can reach out to us for suggested additional benefits and perspective on how they fit your situation.
- Each year, you should review your compensation packages. You should also make sure you clearly communicate total compensation (not just base salary) to your paid ministry leaders each year.

Resources

- [ECFA Church and Nonprofit Tax and Financial Guide](#) (downloadable from FCMM)
- [FCMM](#) (EFCA's benefits and retirement ministry). This NCD Quick Guide is intentionally general. If you need more specific guidance or additional support, FCMM has excellent resources and wisdom in this area at www.fcmmbenefits.org.
- churchsalary.com and ministrypay.com

There are many other questions that will come up, and we know this process can feel complicated and difficult. Our NCD staff are here to help. We would be happy to help you navigate this process. Please reach out to us!