

1995 Clergy Compensation Guide

The Orthodox Church in America

June, 1995

"A contemporary American Orthodox Church requires a well-trained and adequately compensated clergy...."

+THEODOSIUS,

Archbishop of Washington and
Metropolitan of all America and Canada.

FOREWORD

In response to the resolution of the Tenth All-American Council regarding clergy compensation, the following GUIDE, a revision of the Clergy Compensation Guide of 1992, is intended to help with the very important matter of structuring a fair and equitable compensation package for parish priests. It is not intended to be an ironclad rule; local circumstances may possibly require modification in any actual compensation package. However, the GUIDE does attempt to offer various objective criteria for serious and prayerful consideration by bishops, deans, pastors, and parish councils.

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Purpose

The purpose of this document is to help the lay leaders of a parish arrive at a recommendation on the salary for a parish priest commensurate with the value that Orthodox Christians place on the special pastoral services needed by every parish.

Compensation is an important issue, because it influences the quality of the spiritual leadership of every parish, and affects the welfare of the whole Church. If this sensitive matter is not properly handled, the peace and unity of the Church and the effectiveness of the parish priest are adversely affected. Further, the accomplishment of Christ's mission by the local church is weakened.

The issue of clergy compensation involves us in the examination of the way we understand mission, stewardship and our common life and ministry in the body of Christ.

Introduction

The parish and its pastor are engaged in a common ministry, the work of the people of God. The essential issue is how this work can best be furthered.

To further the Church's mission, the clergy serve the Church's corporate needs, as a full-time vocation.

Biblical images of the Church, as the body of Christ, describe its corporate nature. "For the body does not consist of one member but of many... But God has so adjusted the body ... that there may be no discord in the body, but that the members may have the same care for one another... Now you are the body of Christ and individually members in it. And God has appointed in the church ... apostles, ... prophets, ... teachers, ... (I Cor. 12:14-31 RSV)

The members' *sharing* of their resources makes possible the Church's ministry, part of the cost of which is clergy compensation: salary, plus fringe benefits.

This Clergy Compensation Guide suggests a simple means of setting a reasonable and appropriate salary level for your parish priest, in turn emphasizing the basic principle of the laity *sharing* of their resources.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

Underlying Principles

The Church has a responsibility to treat each member of its staff justly.

A clearly discernable theme of Scripture is that, as pastors, priests deserve a fair and equitable compensation from the members of their parish.

Illustrative of this theme are the following passages: Luke 10:1-8; I Cor. 9:3-19; Gal. 6:1-6; and I Tim. 5:17-18.

The salary for a FULL-TIME pastor's job should be set on the basis of:

- (a) the responsibilities and duties of the particular job (pastor, senior pastor, assistant pastor, etc.) and
- (b) the economic conditions of the community and the income pattern of the parish.

The marital status of the pastor should not have an effect on setting the salary level of the job. Celibate clergy should not receive less than priests who have families any more than if they worked in business or government.

Scripture supports a concept of "full-sharing with your pastor." Study the passages from which the following are extracted:

Luke asserted that "... the laborer deserves his wages; ..." (Luke 10:7. See also Deut. 4:15 and I Tim. 5:18)

Paul wrote in I Cor. 9:14, "... the Lord commanded that those who proclaim the gospel should get their living by the gospel."

Paul also expressed his feelings when he asked the Christians in Corinth,
"If we have sown spiritual good among you, is it too much if we reap your material benefits? If others share this rightful claim upon you, do not we still more?"
(I Cor. 9:11,12)

Paul answered this question when he said to the church in Galatia,
"Let him who is taught the word share all good things with him who teaches."
(Gal. 6:6)

Conclusions

With Scriptures as the basis, it is logical to conclude that:

- a. A FULL-TIME pastor should be paid a salary which would permit a pastor and family to live at the same general level-of-living as most of the families of the parish and families of the community as a whole.
- b. The parish has the responsibility to provide such level of compensation - full sharing.
- c. A pastor should be satisfied with such treatment and shall not want, expect, nor ask for more. (Study Paul's attitude expressed in I Cor. 9:15-19.)

The salary level set for your pastor should appear to be reasonable to the lay leaders of your parish, to the majority of the members of your parish, to your pastor, and to your pastor's spouse. For the peace and unity of the church in carrying out Christ's mission, it is essential that there be general acceptance by all of these of the salary level.

Discussions with many parish priests bring these typical responses: "I want a decent standard of living for my family, " and "I want my family to be able to live like the rest of the community," or "... like the rest of the parish." Rarely does a pastor expect a pay level that parallels the higher income level of those in other professional fields requiring similar educational background. Often pastors state that such a high pay level for priests would hurt the Church; it would limit the acceptance of the priest by some members, and it would curtail the priest's effectiveness to some degree.

Most lay leaders readily accept this approach as being reasonable, and as being scriptural. They also believe that most church members would accept this approach. They often add, realistically, that it will take improved stewardship to put this fair approach into practice. They recognize that stewardship may not improve enough in one year to reach the fair salary goal in just one year.

However, if the membership of a church calls a full-time pastor to share their lot in the community and to lead them in the Lord's work, then they, as members, must share their material blessings and their level-of-living with their pastor, as both Scripture and Tradition seem to indicate. In parishes that have difficulty providing an appropriate salary, it may be necessary to develop a two or three year strategy to improve the salary.

Discussion

1. **Typical Income Level:** The least controversial way to estimate the typical income level of the parish, and the most accurate way in most cases, is to assume that the **MEDIAN FAMILY INCOME**¹ level of the community is also the typical income level of the parish.
2. **100% of Median Family Income:** Every **FULL-TIME**, experienced pastor should be paid **NOT LESS THAN 100%** of the typical (median) family income of the particular community in which he works and lives. This ensures that the pastor will have adequate pay to support a typical family in the area.

Whether a parish priest is or is not married, does or does not have children at home, how many, what age, or how many in college; whether or not the parish priest has a spouse that does or does not work full-time, or part-time, in a "good" job or not; whether rich, or deeply in debt, or some place between, are all immaterial in setting the proper salary for the job of your pastor. The salary should be set on the basis of the job and community standards.

This approach offers a reasonable basis for setting the pastor's salary. Whether it meets the pastor's needs or desires is not germane. It is an acceptable and equitable way to set the salary for the job - a true "sharing" of the material benefits of the parish.

¹ National Data Book, US Department of Commerce

Your pastor, like most other people, may have a problem in making the salary received cover all wants and needs, and may be perplexed as to how to set financial priorities. This is not a matter for the parish or parish council to consider. The parish should handle any catastrophic or very unusual need of the pastor's family just as a similar situation would be handled for another member of the parish. In establishing the salary it is relevant to consider that the pastor has spent seven or more years of preparation through higher education (4 years in college and 3 in seminary) and that the position has a high degree of responsibility. The typical earnings of *individuals* in other fields also requiring about 7 years of advanced education are 50% to nearly 300% more than the typical (median) *family* income, depending on the field.

3. **The Way to Pay:** The total salary amount can be paid in a number of ways. Two of the most common are:
 - A. The "total salary" is paid as a "cash salary", with no additional housing allowance or housing provision. (For income tax purposes, the parish council passes a resolution that specifies a portion of that total salary "to provide a home.")
 - B. The "total salary" is divided into two parts:
 - (1) part as "cash salary," typically 68% of the "median family income" of the area;
 - (2) the rest as "income-in-kind", the use of a church-owned building (rectory or parish house).

A deduction of 32%² for the dwelling provided by the parish is appropriate in most communities, however, it does vary.

If the fair rental value of the church-owned dwelling is less than 32% of the median family income, then an adjustment should be made. For example, if the fair rental value of the church-provided dwelling is only about 20% of the median family income, then subtract 20% from the salary, not 32%, and pay a cash salary which is 80% of the median.

If the fair rental value is more than 32%, only 32% should be deducted from the salary. A parish priest should not be forced to pay more than the typical rental value of the typical home in the area due to the fact that the parish selected and provides an above-average home, one not selected by the priest.

Please note that the parsonage allowance amount for self-employment tax purposes is based on the fair rental value of the parsonage. Consult guides such as *Minister's Guide for 1995 Income Tax* by Conrad Teitell for information regarding preparation of tax returns or discuss this matter with a tax advisor familiar with the treatment of the parsonage allowance.

² Federal Reserve Bulletin, Jan. 1992

- C. In addition, the church should pay for certain non-salary items, such as:

Fringe Benefits: payments to the pension fund; medical-hospitalization insurance, generally through the Orthodox Church in America medical program. It is recommended that the parish contribute to the pension plan based on a minimum of 6% of the salary.

Business Expense (Ministry Related Expense): church car, or adequate car allowance; education and book allowance; pastor's discretionary fund. It is preferable to establish a direct reimbursement plan for business expenses. These should not be regarded as income for the minister and the parish budget should reflect the distinct category of ministry expenses if the priest is to receive maximum benefit from the compensation package provided by the parish.

4. **Social Security Allowance (For self-employment tax):**

The law states that a pastor is treated as self-employed for social security purposes. It requires a pastor to pay the entire tax (100%) rather than the pastor (as an "employee") and the parish (the "employer") each paying an equal amount (50% of the total). For 1995 this will mean that your pastor will have to pay at the rate of 15.3%. The rate for employees, on the other hand, is 7.65%. Your pastor - because he is treated as "self-employed" - will be paying substantially more for exactly the same benefits. Parishes can help offset this extra tax burden by making up the difference through additional cash salary.

5. **Income Tax:** The law provides another unusual arrangement regarding clergy, on income tax. This is an "exclusion from gross income" for pastors, regarding costs of "providing a home." The parish council should pass a simple resolution designating a portion of their pastor's salary to be used "to provide a home." Properly worded, such a resolution permits a parish priest to exclude from gross income, and from taxation, that part of the salary that is spend for "rent, house payments, furniture payments, costs of a garage, and utilities", furnishings payments, etc.

The exclusion principle applies to parish priests who live in a dwelling provided by their parishes, to pastors who provide their own dwelling place, and to certain other ordained clergymen.

Your pastor's salary should not be reduced because our government provides this tax privilege to clergy. The "tax break" is given to the pastor, not to the parish, and should not be taken away.

6. **Annual Review:** It is a generally accepted practice to review salaries on an annual basis. This allows the parish to remain abreast of changes in the cost of living, parish responsibilities, and to evaluate ministry responsibilities. The parish priest and parish council may find it beneficial to consult with local diocesan representatives in the annual compensation review process.

How To Do It

To set an appropriate salary for your parish priest, you can take the following steps:

1. Determine the current income pattern in your community. (This year's pattern.)

The best means of measuring the typical income pattern is to use the U.S. Census criterion and definition of "Median Family Income." (You can generally obtain this information in the reference section of your local library. If the information is for a prior year, it will need to be updated utilizing the consumer price index.)

"Income" means

"total income of salary and wage earners (gross wages per W-2), and retired persons, before taxes; and net income of businessmen and farmers, after business expenses (net income per Schedule C)."

"Median" means

"half the families have an income which is above this figure; half have an income which is lower."

The median income level is invariably lower than the mean (average) income level.

2. Use the "median family income" figure for your area (county, city, township or town) as the "median family income" (typical income) level of your community and parish, unless there is definite indication that the income level is substantially higher or lower.

Use this current year dollar amount to set up your pastor's salary for the next year.

How Much Should Your Parish Priest's Salary Be Next Year?

Set the salary level for your pastor (if FULL-TIME and experienced) as follows, as a minimum:

- A. A "cash salary" equal to the "median family income" of your area, with no additional housing provision or allowance; - OR -
- B. A "cash salary" equal to 68% of the "median family income" of your area plus the use of a church-owned dwelling

Alternatives

1. **Complexities in Certain Churches:** Special circumstances in some churches create complexities which require special talent and experience in the pastor's job. The pastor's job, therefore, warrants a higher salary. A difficult inner-city church, a highly-mobile community, a large parish, special programs, a two- or three-point field, or a highly-educated parish might be examples.
 - a. Due to the impact on the pastoral, counseling, and teaching responsibilities which relate to church size please see section C on page 8 of the Clergy Compensation Worksheet. Impact of other types of complexities can be equated to the same Base Adjustments guidelines regarding church size.
2. **Low and High Income Communities:** In low-income and in very-affluent communities, special additional treatment should be considered. The number of such communities is small; therefore, these unusual, complex situations are not discussed in this guide.
3. **Pay above the Minimum?** Frequently a parish wants to pay their priest a salary which is more than the suggested minimum "fair salary level." It is quite appropriate to do so. Scripture recognizes "elders that rule well ... especially they who labor in the word and doctrine." (1 Tim. 5:17). Showing the parish's appreciation for their pastor's devotion to the Lord's Work, for leadership and compassion, for years of experience and for dedication is encouraged. Pay as much above the suggested minimum as the parish desires to pay.
4. **Recognition for "Ruling Well":** The percentage could be raised 1%, 1 1/2%, 2%, or any percent above the suggested minimum. In the next, or in any subsequent year, the additional percentage might be made larger by an additional 1/2%, 1%, 1 1/2%, or 2%. Once given, the increased percentage would be continued.
5. **Payless than Minimum:** If your parish cannot immediately pay the dollar amount suggested in this guide, then recognize such figure as the fair amount to be paid, and pay as close to that amount as possible next year. Then use the same approach in the following years and reach the fair salary level goal (which will rise each year) as soon as possible. It may be appropriate to appoint a task force to prayerfully develop a strategy to help the parish reach the goal.
6. **Honorariums, gratuities, pastoral fees:** If the priest is not allowed to receive or keep these "non salary" items then the compensation should be adjusted accordingly.

CLERGY COMPENSATION WORKSHEET

Components of Cash Salary Package:

Illustration

Your Parish

I. BASE REMUNERATION:

- A. Median Family Income for families in the community(ies) in which your members reside:

\$ 30,000

\$

- B. If Parish is located in a low income area (compare median income for community with median income for state).

- C. Base Adjustment for size of Parish:

If 50-150 members, add 3% of A or B ✓

If 151-250 members, add 4% of A or B

If 251-350 members, add 5% of A or B

If 351-450 members, add 6% of A or B

If 451-550 members, add 7% of A or B

If 551-650 members, add 8% of A or B

If 651-750 members, add 9% of A or B

If 751-850 members, add 10% of A or B

If 851-950 members, add 11% of A or B

(Add 1% for each additional 100 members)

900

- D. Merit Adjustments of (1/2 to 2% of A or B + C) for exceptional leadership and performance by the priest manifested in Parish programs, activities (Baptisms, Christmations, Marriages, Outreach, Parish Services, etc.) As a parish grows, the pastor's salary (based on lines A or B + C) should be increased by 2% for every 10 new adult members.

300 (merit)

10 new members 2% =

618

- E. If rectory provided priest is in an area where schools are not up to the level of schools attended by the majority of the children of members, add an allowance equal to the cost of tuition and transportation to a private or parochial school for each clergy child of school age:

- F. Furnishings and appliances allowances

- G. If there are uniquenesses in your Parish which require additional expenditure by clergy, provide additional amount:

- I. Subtotal salary amount (A through G)

\$31,818

- J. Additional Income to equalize cost of Social Security payments required of clergy over other employed persons (I x 7.65%)

\$ 2,434

- K. Subtotal salary and social security allowance

\$34,252

- L. LESS the Fair Market Rental Value of rectory provided to the pastor, if applicable (A x 32%).

\$ 9,600

- M. TOTAL ANNUAL CASH SALARY

\$24,652

\$

II. RECOMMENDED BENEFITS

- A. Medical Insurance - Available through Orthodox Church in America
- B. Pension - Available through Orthodox Church in America. Parish contribution 6% of total annual cash salary. (Item M)
- C. Life Insurance - Available through Orthodox Church in America
- D. Disability Insurance

III. **MINISTRY EXPENSES** - Ministry (Business) Expenses are not a part of the pastor's compensation. A direct reimbursement plan for actual expenses is recommended; however, some parishes prefer to provide a car and business expense allowance.

IV. **TAX TREATMENT** - Consult a knowledgeable tax advisor regarding the appropriate treatment of the parsonage allowance and any other allowances such as a car allowance.

APPENDIX

These charts are offered to further assist parishes engaged in clergy compensation reviews.

Orthodox Church in America

Diocese	Average Clergy Cash Salary (Excludes Housing)
Eastern Pennsylvania	\$15,831
Midwest	\$18,321
New England	\$16,275
New York/New Jersey	\$16,685
South	\$13,212
Washington	\$18,200
West	\$14,227
Western Pennsylvania	\$12,593

Greek Orthodox Archdiocese

Years of Service	Cash Salary / No Rectory	Cash Salary / With Rectory
0 - 5 years	\$33,600 - \$45,600	\$22,781 - \$30,917
6 - 10 years	\$38,400 - \$51,000	\$26,036 - \$34,578
11-15 years	\$42,600 - \$58,200	\$28,883 - \$39,460
16-20 years	\$46,800 - \$64,800	\$31,730 - \$43,935
over 20 years	\$52,600 - \$69,600	\$35,663 - \$47,189

Average earnings by educational attainment and age, 1991 from the U.S. Bureau of Census, Current Population Reports classification cited: Male with Bachelors Degree +

Age Range	Avg. Annual Earnings
25-34	\$39,765
35-44	\$52,130
45-54	\$56,918
55-64	\$59,089
65+	\$56,164
overall	\$50,747