

Pastoral Compensation & Benefits Guidelines

OREGON CONFERENCE OF THE FREE METHODIST CHURCH

The following scriptures should be taken into account when considering a compensation package: in Luke 10:7, Jesus instructed those whom he had just appointed to go into every city and place, and to **“Stay in that house, eating and drinking whatever they give you, for the worker deserves his wages.”** in Galatians 6:6 Paul writes, **“Anyone who receives instruction in the word must share all good things with his instructor.”** And in First Corinthians 9:14, Paul writes, **“In the same way, the Lord has commanded that those who preach the gospel should receive their living from the gospel.”** From these, and other scriptures as well, we conclude that full-time pastors should be paid a full-time salary that allows them to live at least on the same standard or level as the congregation and community.

We recognize two basic pastoral models: Full time appointed and part time or bi-vocational appointed. In an attempt to help each local church, provide a support package for their pastor(s) that is honoring to God and His Kingdom, the Oregon Conference adopts the following policy.

Each full-time appointed pastor in the Oregon Conference is entitled to compensation that includes:

WAGES: It should be the goal of every church that the pastor’s wage package would equal or exceed that of a local public teacher with the same education and experience. Obviously, the larger church should consider the increased responsibilities of staff management when setting this figure. The wages should be divided into two areas:

- A. HOUSING** – This must be set in advance and by law (section 107 of the Internal Revenue Code) and is limited to the Fair Market value of the rental of the property, fully furnished, plus utilities. Each pastor should keep careful record of housing expenditures throughout the year. If the entire housing allowance is not used for its allowed purposes, the unused portion must be added to the taxable income on the pastor’s tax form.
- B. SALARY** – The remainder of the wages is included in this category

BENEFITS:

- A. SELF EMPLOYMENT TAX** - Each church should provide for at least one half of the pastor’s self-employment tax, known as FICA (currently 15.30%). One half, is 7.65% of the combined Housing and Salary, paid to the pastor. Social Security should be included as part of compensation for pension reporting purposes - regardless of how it is listed in the church budget.
- B. HEALTH INSURANCE** –The church shall ensure the pastor has health insurance coverage. This may be coverage through a spouse’s employer or it may be through a plan purchased by the pastor with financial accommodations made accordingly as agreed upon by the Local Board of Administration and the pastor.

Note: *As state/federal health insurance requirements are revised, the Oregon Conference continues to rely on a local insurance broker who has served the conference well, is familiar with provisions for church employees, and has current knowledge of state and federal guidelines.*

At the latest revision, state/federal guidelines do not require that group health insurance policies be offered by organizations with fewer than 50 employees. However, coverage may be offered for a group of 1 or more employees. If a group plan is not offered by the church, the church may wish to increase a pastor or employee’s salary, but may not: 1) designate any budget funds for

pastor/employee “health insurance allowance” or similar designations; or 2) reimburse the pastor/employee for equal premium amounts paid by him/her directly through an individual plan.

- C. OPTIONAL LIFE AND DISABILITY INSURANCE** – The following insurance benefits are available to eligible employees through a group policy held by the Oregon Conference. These insurance plans are available by selection by the employee and payment of the monthly premium is either by the church or employee based on the decision of the Local Board of Administration.

Types and terms of policies offered can change through the group provider or the Oregon Conference decision to maintain, change or discontinue the insurance program.

Type of Policy	Eligibility	Type of Coverage
Standard Life Insurance and Accidental Death Dismemberment (AD&D) <i>Standard Life is \$15k in the current group plan with AD&D & LTD options available in addition</i>	Full-time employees working 30 hours or more per week	Intended to pay a fixed rate of benefit upon death or accidental dismemberment of employee.
Long Term Disability (LTD) This is available as an addition under a Standard Life policy as noted above	Full-time employees working 30 hours or more per week	Intended to protect employee’s income for a longer duration after depleting short-term disability or any sick leave the church provides
Voluntary/Supplementary Life Insurance and AD&D <i>This plan is added in \$10k increments and is available for employee, spouse and children.</i>	Employees working 20 or more hours per week	Intended to pay a fixed rate of benefit upon death or accidental dismemberment of employee.

* Current provider of plans as of 1/1/2022 - Lincoln Financial Group – Contact the Conference office to receive full program documentation.

- D. WORKERS’ COMPENSATION INSURANCE** – The church must provide Workers’ Compensation Insurance at no cost to all full-time appointed pastors (and all employees) beginning at the time of hire. This insurance provides benefits for injuries or illnesses sustained during the course of employment. The conference bookkeeper serves as a liaison between the local church and the insurer for billing and payment management in order to ensure that coverage is correctly adjusted as any changes in payroll or staff occur.

- E. PENSION** – Eligibility for inclusion in the pension plan is set by the FMCUSA. Each church must provide the percentage set by the denomination of the combined Housing and Salary for all eligible participants appointed to the church. This will be deducted from the church funds by the FMCUSA according to its policy. Find current information at <http://fmcusa.org/hr/pensionretirement/>

NOTE: A local church also has the ability to contribute to a voluntary pension program for additional local church employees, (i.e., clergy not under conference appointment, a licensed pastor or conference ministerial candidate, or a lay-person) per approval by the Local Board of Administration and per FMCUSA guidelines. Find more information at <http://fmcusa.org/hr/pensionretirement/>

- F. VACATION** – The following refers to total years of service within the Free Methodist church, not simply the Oregon Conference or the local church:
- 0-3 years' service, at least 2 weeks of vacation
 - 4-15 years' service, at least 3 weeks of vacation
 - 16-25 years' service, at least 4 weeks of vacation
 - Over 25 years, at least 5 weeks of vacation
- Each church should also provide at least two 3-day weekends each year which are not to be counted as part of the vacation.
 - Each church is encouraged to consider ministry years served outside the Free Methodist denomination as well.
 - Pastors in their first year of ministry may take vacation time after six (6) months.
 - Vacation time is not accumulative from year to year, except with the approval of the Local Board of Administration. The Ministerial Appointments Committee shall instruct a local church which is receiving a newly appointed pastor regarding any accrued vacation the pastor may have and his/her desire for usage. Any such accrued vacation time is limited to that earned during the preceding year. When a pastor is appointed to a new circuit, only the preceding year's vacation time is transportable. In the event the pastor desires to be absent more than two consecutive Sundays, he/she shall secure approval of his/her Local Board of Administration before completing plans for such extended absence. Participation by pastors in Conference and denominational events shall not be considered vacation time.
- G. SICK LEAVE/PERSONAL TIME OFF (PTO)** – The church must provide a minimum of 40 hours of paid sick leave/pto for each pastor (full time and part time) each year. 40 hours of sick/pto leave time will accrue at the time of hire. At the beginning of each calendar year, each employee's sick leave/pto bank will accrue another 40 hours of leave. Sick leave/pto can accrue to a maximum of 26 weeks. Employees whose employment ends are not paid for accrued unused sick leave/pto.
- Sick leave/pto may be used for an employee's (1) mental or physical illness, injury or health condition, need for medical diagnosis, care or treatment of such conditions or need for preventive medical care; (2) for the care of a family member with a mental or physical illness, injury or health condition, need for medical diagnosis, care or treatment of such conditions or need for preventive medical care; or (3) for other personal needs.
- Once Sick Leave/pto and any other accumulated paid leave is used, the employee will be placed on leave without pay. The duration of unpaid time off will total no more than four weeks beyond the use of paid time in any one year whether it is consecutively taken or taken intermittently. The Local Board of Administration may extend to the employee an additional defined leave of absence on a case by case basis. This will be written and agreed to by both parties in conjunction with the Oregon Conference Superintendent.
- H. MATERNITY/PATERNITY LEAVE** – Leave may be granted for the birth of a pastor's child or because of placement of a child in a minister's home by adoption.
- The Minister may receive a total of 12 weeks of leave, with full pay for the first 8 weeks of leave at a minimum, for the birth or adoption of a child.
 - The pastor may use any accrued paid time as an additional part of the leave. Any remaining portion of the 12 weeks leave will be unpaid.
 - The church will continue to pay any relevant insurance plan in place during Maternity/Paternity leave on the same basis as if the pastor were not on leave. If the pastor pays for coverage, the

pastor must make arrangements to continue paying for coverage while on leave and failure to pay for this coverage while on leave may result in loss of coverage.

- In some cases, pastors may take intermittent leave or may work a reduced number of hours instead of taking 12 consecutive weeks of leave unless intermittent leave or working a reduced number of hours is medically necessary, this arrangement must first be agreed upon by the Local Board of Administration.
- Churches without adequate associate and support staff should contact the conference to help staff the pulpit supply during the maternity/paternity leave.
- When the pastor returns to work after leave, s/he will return to their original or equivalent position with the same pay, benefits and other terms as if s/he had not taken leave.
- Earned sabbatical may not be used for this leave.
- During the leave, the appointed pastor's Annual Conference relationship will remain intact and the leave will be considered as an uninterrupted appointment for retirement purposes with the Oregon Conference and the Free Methodist Church of North America.
- When spouses are both full-time appointed pastors, they are entitled to a combined total of 12 weeks of leave (not 12 weeks each).

- I. PROFESSIONAL EXPENSE** – Each church should provide for the professional expenses of the pastor(s) through an accountable reimbursement system. Expenses covered could include, travel, books, periodicals, entertainment, equipment, supplies, and continued education, to name a few. Items purchased with this fund remain the property of the pastor. Automobile expense should be reimbursed following IRS guidelines. The allowable rate for business miles should equal the allowable IRS rate guidelines for the current year. (Find more information at: <https://www.irs.gov>)

In order to be “accountable” the following requirements must be met:

- written substantiation which includes amount, date and business purpose of the expense;
- reimbursement request must be submitted within 60 days of when expense was incurred;
- any excess reimbursement be returned within a “reasonable time” (120 days);
- reimbursements cannot be funded by salary reduction.

- J. SABBATICAL LEAVE** – After 7 years of service in a congregation (and every 7 years thereafter), OR after every 10 years of service in the FMC, a pastor may apply for a sabbatical of up to three months at full pay, in addition to the regular annual vacation. A specific proposal for the sabbatical, including goals for the sabbatical and plans for covering church responsibilities must be submitted for approval to the Local Board of Administration and the Oregon Conference Board of Ministerial Education and Guidance at least six months in advance. Sabbatical leaves are for the purpose of enhancing ministry to the church. They should, therefore, incorporate plans for study, classes, seminars, travel, ministry outside of the church, or a combination of the above, along with a balanced level of rest and renewal. Churches without adequate associate and support staff may apply to the conference for a grant of up to \$1500.00 to help cover the cost of pulpit supply during the sabbatical leave.

ADDITIONAL CONSIDERATIONS:

1. Churches with pastors who have education debt should give special consideration to paying extra so their pastor can service his/her debt.
2. Each church will provide for its pastor the cost of attending all conference related activities where the pastor is expected/required to participate. The time at these events is not to be considered as part of the vacation package. Payment for spouses to attend clergy events is also encouraged.

3. In the interest of providing for the continued health and education of the pastor, each church is expected to provide and pay for at least one ministry enrichment seminar every year.
4. The ministerial income for newly-appointed pastors is to begin on the first day of the month following Annual Conference appointment. Any change from this must have the approval of the Ministerial Appointments Committee.
5. When a pastor is ministering to another church for a series of special services, his/her local salary is to continue. The pulpit supply is to be selected by the pastor in consultation with the Pastor's Cabinet or the Local Board of Administration with financial responsibility to be assumed by the local church. This is permitted two Sundays a year. Any exception shall be reviewed with the Conference Superintendent.
6. IRS W-2 Wage and Tax Statement – The pastor is to be considered an employee of the church for state and federal income tax purposes, rather than self-employed. Wages should be reported on a W-2, rather than a 1099. Salary is shown separately from Housing allowance (box 14) on the W-2 and any withholding for federal and state taxes. (NOTE: all ministers are always considered self-employed for Social Security and Medicare purposes.)
7. A full-time conference appointed staff pastor should be paid salary plus the following specifically named benefits: health insurance; pension; and self-employment taxes. Car expenses and other accountable reimbursement expenses be set in consultation with the local Finance Committee, the Local Board of Administration and the appointee.
8. The salary of a part-time staff pastor is to be agreed upon by the Local Board of Administration.