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# Four Suggestions for Putting a SALARY COMPENSATION PACKAGE Together for a Pastor

Each year a congregation and/or leadership is called upon to develop a framework on determining what is the best course of action in compensating current pastoral leadership or hiring a new pastor who is starting. Listed below are four general categories to consider in putting together a salary composition package:

## 1 Base Salary

The base salary should include items based upon objective criteria for the position. As a church, you should determine to answer the question: "What are the qualifying factors associated with the position?" Most job descriptions are categorized in three main areas known as KSAs (Knowledge requirements, Skills, Abilities). These should be determined by the position requirements and not on the individual themselves. Some areas to consider are: educational requirements (i.e. are you expecting the individual to have a bachelor's or master's degree), experience in ministry, and professional certifications. Other areas include the ability to communicate, personal and professional interaction both inside and outside the ministry, and leadership skills. Another factor to consider is the size and scope of the ministries involved. Another question to answer is whether this is a full-time (40-50 hours a week) or part-time position. Are you expecting the individual to work 40 hours, or will they be bi-vocational? Finally, when determining compensation, you should take into consideration the local cost of living and what other professionals in your area are paid with similar education, experience, and abilities.

## 2 Fringe Benefits

It is important to understand any labor laws that may impact fringe benefits. In Hawaii, the Prepaid Health Act of 1974 states that any employee that works four consecutive weeks of 20 hours is entitled to Medical Benefits. Also take in consideration items associated with flex spending plans, educational costs, SECA offset to name a few.

## 3 Retirement Plan

A minister must be more proactive in preparing for their own future. We have partnered with GuideStone Financial Resources to help provide guidance in retirement benefits. A church that is actively contributing to cooperative program and to a minister's annuity, can receive matching funds from both the convention and GuideStone. If you need any resources on this, please feel free to contact GuideStone or the convention offices. In addition to the annuity, GuideStone can work with individual churches to set up a 403(b) plan for payroll deductions so a minister can tax defer his income.

## 4 Accountable Reimbursement Plans

The Tax Cut and Jobs Act of 2017 had a significant impact on reimbursement plans for a church in 2018. In 2018, all unreimbursed employee expenses will not be allowed as a tax-deductible expense. Churches that currently have a Nonaccountable Reimbursement Plan in place might evaluate the tax impact on a minister. For example, if a church has an auto allowance under the nonaccountable reimbursement plan, they may receive the auto allowance as part of their paycheck and pay taxes on it but also get the deduction for unreimbursed employee miles. However, with the new tax law, that deduction will not be allowed in 2018. A consideration is to have an accountable reimbursement plan and turn in a mileage log for reimbursement and the reimbursement would not be taxable income to the minister.

These four areas of consideration lay the framework on putting a salary composition package for a pastor. As always, it is good to consult an HR expert or tax professional in understanding the taxable/non-taxable parts of the salary composition. Also, feel free to contact me at the convention offices at (808) 356-8339 if you have any questions.