

The Purpose of Financial Compensation

The work of the ministry of our church is shared among our entire congregation. We labor alongside one another, each individual participating in a meaningful manner (1 Corinthians 12). Our roles differ and some members are compensated, but the value and dignity of all our work is equal. There is no special class of vocational servants. We are God's fellow workers, living sacrificially for God's glory (1 Corinthians 3:5-15, Romans 12:1-8).

The decision to compensate is therefore driven by calling and mission and not entitlement or even the needs of an individual. We provide compensation to ensure an individual is able to steward his or her calling, meet the needs of our congregation, and further our collective mission (1 Tim. 5:17-18).

Determining Financial Compensation and Benefits

The New Testament exhorts us to compensate those who labor among us fairly (1 Corinthians 9:6-14, Luke 10:7, Matthew 10:10, Galatians 6:6, 1 Timothy 5:17-18). Special attention must be given to those who serve us as pastors. (1 Timothy 5:17-18). We must consider the whole person and evaluate a broad range of financial obligations (ex. healthcare, disability, retirement planning). We have been entrusted with the care and stewardship of our leaders and servants. We honor God when our policies are guided by faith, generosity, and gratefulness.

1. Financial Compensation

The following procedure provides a structured, accountable process of determining the financial compensation of our staff. At times, it may be necessary to deviate from this procedure. These occasions must be documented and approved by our eldership.

- A. Begin by establishing a job description.
- B. Identify a corresponding position in the *Compensation Handbook For Church Staff* by Richard R. Hammar (CHCS) or comparable resource.
- C. Complete a Salary Range Worksheet for this position using the CHCS.
- D. Identify the lowest and highest median income figures from the completed Salary Range Worksheet. These figures represent a baseline for determining a salary range.

- E. The salary range is calculated by adjusting the baseline figures to reflect any deviation between our local city's median household income and the US National Median Household Income.

(Baseline Lower Limit / US National median income) Local Median Household Income = Lower Salary Range Limit

(Baseline Upper Limit / US National median income) Local Median Household Income = Upper Salary Range Limit

- F. Our eldership then utilizes this salary range and any relevant performance appraisals (see below) to propose and approve a financial compensation package annually (at minimum). If the individual is a licensed minister, he may designate a portion of his salary as "Housing Allowance". If the staff person is an elder, he must recuse himself from the final approval process of his compensation package. The eldership should do all of this in consultation with our Finance and Law Committee and our Board of Directors. Recommended resources for determining compensation include:

Setting A Pastors Pay by Frank Sommerville and Richard R. Hammer
Setting Wages and Benefits For Church Staff by Church Finance Today

2. Benefits

In addition to financial compensation, the eldership may approve other benefits for an employee. They should do so in consultation with our Finance and Law Committee and our Board of Directors. If the staff person is an elder, he must recuse himself from the final approval process of his compensation package. The benefit package should be reviewed annually (at minimum). Recommended resources for determining benefits include:

Compensation Handbook For Church Staff By Richard R. Hammar
Setting A Pastors Pay by Frank Sommerville and Richard R. Hammer
Setting Wages and Benefits For Church Staff by Church Finance Today

A. Retirement

The eldership may approve contributions on behalf of the employee to a tax-sheltered retirement account. These contributions may or may not have incentives for the employee to contribute his personal funds as well (ex. matching contributions).

If the employee is exempt from self-employment tax, consider the standard employer FICA obligations as a baseline.

B. Vacation

The eldership may approve an annual paid vacation allowance. Consideration should be given to market standards, years of service, and the personal needs of the employee.

C. Holidays

The following U.S. Holidays are paid: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day. If the employee must work on a holiday, arrangements should be made for an alternate date.

D. Personal Days

The eldership may approve an annual allowance of paid time off. These days are for unforeseen personal obligations and sickness.

E. Health Insurance

The eldership may approve a health insurance coverage for the employee, his spouse, and dependents. Consideration should be given to market standards and the personal needs of the employee.

F. Disability Insurance

The eldership may approve a disability insurance coverage for the employee. Consideration should be given to market standards and the personal needs of the employee.

G. Other

The eldership may approve other benefits for the employee as needed (ex. automobile, mobile phone/data). Consideration should be given to market standards and the personal needs of the employee. These benefits may be tax-deductible.

3. Performance Appraisals

The performance of the employee should be assessed periodically (usually annually). This appraisal should be based upon standards directly related to job responsibilities. The eldership may include other church members in the process. These appraisals may be use to determine the employee's compensation package.

Performance appraisals are confidential.

4. Employment Agreements

Employees are provided an initial employment agreement. Subsequent agreements are provided when changes to the employee's compensation package occur.

These agreements should include all relevant details to both the employee's compensation package and any agreed upon professional benefits (ex. continuing education, spousal expenses, book allowance).

These agreements are available for review by any church member in good standing. An employment agreement may be provided to third parties as directed by the employee.