

2005 PASTOR'S SALARY GUIDELINES

(Effective January 1, 2005)

1. SALARY UNITS

The pastor's salary and all increments, with the exception of the Local Cost of Living portion (#3 below), are calculated in multiples of a basic unit which has been set for the year at \$333.83. (See NOTE #1 below). A salary calculation form appears at the end of this document.

2. BASE SALARY

The base salary for all pastoral positions is set at 65 units (\$21,699). (See NOTE #2)

3. LOCAL COST OF LIVING

The local cost of Living portion of the salary reflects the differences in the cost of living in various parts of Canada, or even within a given city. Various factors influence the calculation of this amount. The most significant of these is the cost of housing, where there may be a large discrepancy between rural and urban areas. (See NOTE #3) However, this part of the salary should also take into consideration other living expenses, such as the cost of heat, electricity or groceries, which may be similar or even higher in rural areas. Pastors should not be penalized for accepting a call to serve in a setting at either end of the spectrum. Congregations will use this flexible component to ensure a reasonable salary for the pastor(s).

The local cost of living calculation adjusts a pastor's salary to reflect the cost of living in the place to which or she is called. It is not a housing allowance. Therefore, where there are two pastors in the same family (i.e., spouses), both should receive the local cost of living portion of the salary.

4. EXPERIENCE INCREMENTS

Experience increments are calculated according to the following formula:

Years 1 through 6:	4 units per year (\$1335 per year)
Years 7 through 12:	3 units per year (\$1001 per year)
Years 13 through 18:	1 unit per year (\$334 per year)

Pastors who move from one congregation to another carry all of their experience increments with them to the new congregation. Pastors who come to an MC Canada congregation from another denomination would normally also carry all of their experience increments with them. Relevant experience in other kinds of work, ministry or service may be calculated on a pro-rated basis. (See NOTE #4)

5. EDUCATIONAL INCREMENTS (See NOTE #5)

Educational increments should be paid according to the following formula:

Three units (\$1001) for suitable undergraduate work
An additional 6 units (\$2003) for suitable graduate work (MDiv)
An additional 3 units (\$1001) for a suitable doctoral degree

6. RESPONSIBILITY INCREMENTS

Responsibility increments are paid only to the senior pastor, and may be calculated according to one of the following two formulas:

- Three units (\$1001) for each full-time ministry staff person whom the pastor supervises. The number of units paid would be pro-rated for part-time ministry staff. The oversight of lay ministers or youth workers should also be given consideration when calculating responsibility increments: or
- Three units (\$1001) for congregations of approximately 300 or more attendees and 5 units (\$1669) for congregations of approximately 600 or more attendees.

Some pastors may be assigned major additional responsibilities, such as serving as chaplain at a nursing home or hospital or a similar assignment. The congregation may decide these additional responsibilities should be acknowledged in the salary with up to 3 responsibility units (\$1001).

7. **BENEFITS**

It is assumed that all pastors will participate in the MC Canada pension plan or an equivalent plan (details are available from the MC Canada Payroll & Benefits Coordinator). All churches are encouraged to include Life and Long Term Disability Insurance, which is available through MC Canada's Group Insurance Plan, in the benefit package. They should also seriously consider supplying all pastoral staff with Extended Health and Dental benefits on a cost shared basis (through an area conference plan or the Mennonite Benefit Association, where these are available, or with Blue Cross, for example). Area Conference Ministers will have information regarding plans available in your area.

8. **HONORARIA**

An honorarium of \$75-100 for each speaking event (i.e. wedding, funeral, pulpit supply, etc.) plus mileage (whenever a total distance of more than 100 kilometers is traveled to participate in the event) is appropriate. An honorarium should be negotiated when the invitation for the speaking event is extended. (See NOTE #6)

9. **EXPENSES**

Expenses are costs incurred in doing the work of the church. The pastor should not pay these costs.

a) Car and Travel Expenses: This expense, when incurred in the line of duty, should be reimbursed.

An allowance is not acceptable to Revenue Canada unless it is added to the pastor's T4 or the amount is proven to be reasonable by an accurate trip log. Any reimbursement in excess of the log must be added to taxable income. Reimbursement for travel between home and the church is taxable. (A reasonable rate for 2004 might be \$0.42 for the first 5,000 km and \$0.36 for each additional km.)

b) Workshops, Courses, etc.: Arrangements should be made to enable the pastor to attend refresher courses, workshops, seminars and other occasions regularly for the revitalization of his/her ministry. The congregation may designate in advance an amount that it will pay. Many congregations budget up to \$500 per year for this non-taxable reimbursement.

c) Books and Periodicals: Reading material is an occupational expense. Many congregations budget up to \$500 per year for each pastor for books and periodicals. This is a taxable benefit if the books/periodicals are the property of the pastor. Some churches purchase books for the pastor and then allow him/her to buy at used book prices those books that the pastor wants to keep when he/she moves.

d) Office: The congregation will provide a furnished office and supplies, as well as secretarial support as required. In most instances this will include a computer, printer and internet access.

e) Conference Attendance Expenses: When the pastor is expected to attend conference sessions on behalf of the congregation the expenses related to travel, lodging, meals and registration are paid by the congregation. Consideration should also be given to costs of the pastor's spouse attending.

f) Other Expenses: If hosting of guests is an expectation of the pastor or if the spouse of the pastor is expected to attend church functions such as weddings and funerals, and there are related expenses (such as child care or loss of work time) then those expenses should be paid by the congregation. An appropriate amount should be budgeted for such depending upon the family situation and congregational expectations.

10. **STATUTORY BENEFITS - Employer Costs**

There are some expenses that are mandated by the government to employers. These fees are determined by the government and are not negotiable. The figures are determined by charts provided by the appropriate government agency and are usually based upon the basic compensation figure. See <http://www.cra-arc.gc.ca/tax/business/topics/payroll/menu-e.html> for more information.

11. OTHER CONSIDERATIONS

- a) **Clergy Residence Deduction:** See Note #7.
- b) **Vacations:** All pastors should receive at least three weeks of vacation per year plus time off for all statutory holidays. After five years or more of experience the pastor should receive four weeks of vacation per year plus time off for all statutory holidays. As a contribution to the church beyond the local setting, congregations are encouraged to release their pastors for short assignments such as serving on area conference or MC Canada boards/commissions, or as camp chaplains, etc. This should not be counted as holiday time.
- c) **Parental/Pregnancy Leaves:** These leaves are mandated by the government and government guidelines should be consulted when the situation arises.
- d) **Sick Leave Policy.** Congregations are urged to establish a sick leave policy which permits 1½ day per month sick leave with an accumulation of up to 75 working days (please refer to Employment Canada [EI] benefit guidelines for details), at which time long-term disability takes effect. (unused sick leave is not paid to the employee at termination).

This can be done in one of two ways:

- i. The congregation can pay the full salary during this time of illness. If the congregation has a policy to cover salary during illness, it may be eligible for reduced EI premiums.
 - ii. The second way to cover the cost of this period of illness is for the employee to apply to EI for unemployment benefits (normally 55% of his/her insured earnings). The congregation would top up the level allowed by the EI Commission (95% of regular salary for unemployment as a result of sickness). If the congregation selects this option, the employer must register the plan (called a SUB plan) in advance with the EI Commission, and treat all employees according to this plan. This method makes the congregation ineligible for reduced EI premiums.
- e) **Longer Study Leaves:** Congregations are *strongly* encouraged provide longer leaves for study, service or renewal (sabbaticals) for their pastor(s) from time to time. (Check with your area Conference Minister or go to “Programs/Leadership/Frequent questions about...” on the MC Canada website for details.) Pastors may be eligible for forgivable loans from the Company of 1000 Study Reserve Fund for sabbatical study. Information and application forms are available from the MC Canada Denominational Minister’s office.
 - f) **Candidating and Moving Costs:** Congregations are responsible to pay travel and lodging costs for both pastor and spouse to candidate for a position. Moving arrangements and expenses when a pastor is called to a new congregation need to be negotiated. As a minimum the calling congregation should pay the cost of a rental truck and driving costs and should offer to assist in loading/unloading. Consideration may be given to paying the costs for the pastor and spouse to make one house-hunting trip to the new community.
 - g) **Memo of Understanding:** It is important to agree on a clear Memo of Understanding with the pastor at the beginning of each term. A sample is provided in the Pastor-Congregation Relations Packet, is available upon request from the MC Canada Denominational Minister, or can be found at <http://www.mennonitechurch.ca/programs/leadership/salary/covenant.php>.

NOTES

1. This formula simplifies the application of the annual cost of living increase, which is based on the Consumer Price Index (CPI). The basic salary unit is increased each year by a percentage equal to the increase in the CPI. This adjustment is calculated prior to the annual mailing of these guidelines. The April to April CPI is the standard that has been used for these guidelines. The April 2003 to April 2004 CPI used here was **1.6%** (the most recent CPI figure may be found at <http://www.statcan.ca/english/Subjects/Cpi/cpi-en.htm>). If you use a later figure (Mennonite Church Canada uses the September to September figure for its staff) be sure to use the same 12-month period each year. It is important to be consistent in this regard. Although the April to April figure (or an alternative that you may choose) may seem unduly high or low in any given year, these fluctuations will average out over time if you use a consistent period. Note that using a figure other than the April to April one will mean recalculating the numbers above and applying a slightly different salary scale from that used by most other congregations. All figures calculated in the above guidelines have been rounded off to the nearest dollar.
2. The total (65 units) was arrived at by a comparison with several other denominations in Canada and their pastoral salary guidelines. The base places our salaries within the range found in these denominations. It applies to all persons involved in pastoral ministry. Congregations which hire a youth worker or other program staff without pastoral responsibilities (e.g. not including preaching, pastoral counseling, etc. – clarification is available from the MC Canada Denominational Minister) may begin with a lower base, perhaps 50 units.
3. The pastor is free to choose his/her housing. However, the calculation of the Local Cost of Living portion of the salary should be based on consideration of the fair rental value of a standard three-bedroom home in a community/neighborhood that represents the average for the congregation. The information should be obtained from a local realtor.

This is not the same as the determination of the Clergy Residence Deduction (Item #11(a) above), which is the income tax deduction allowed based on the pastor's actual housing cost, including utilities. (See NOTE #7 & appended salary worksheet below)

4. Pastors are compensated for their experience along an assumed learning curve – i.e. the number of units paid would be greater in the earlier years of ministry and grow smaller in the later years of ministry. In order to discourage financial prejudice by congregations against experienced and therefore more “expensive” pastors, these guidelines propose that experience increments be capped after 18 years.
5. Educational increments are calculated in a way that honors a pastor's undergraduate and graduate studies. The MDiv degree is considered the basic preparatory degree for ministry. However, other educational disciplines offer valuable tools for ministry and need to be recognized and considered when calculating the educational increment (i.e. Bible College studies, BEd, BSc, MA, MTS, MEd, etc.). For some degrees or studies in process, partial credit rather than full credit would be appropriate.
6. Pastors should be allowed to keep any honoraria which they receive. Honoraria are gifts of appreciation given to the pastor for his/her work and should be seen as a love gift to the pastor, not the church. Pastors are reminded that all portions of honoraria which are above and beyond incurred expenses are viewed by the Canada Revenue Agency as taxable income and must be reported on their income tax return.
7. The federal government requires employers to verify in writing (see form at <http://www.cra-arc.gc.ca/E/pbg/tf/t1223/README.html>) that any employee claiming this deduction is eligible to do so. It is imperative, therefore, that congregations ensure adherence to the conditions of the latest CRA bulletin regarding the Clergy Residence Deduction, which may be found at <http://www.cra-arc.gc.ca/E/pub/tp/it141r-consolid/it141r-consolid-e.html>.

MC CANADA PASTOR'S ANNUAL SALARY WORKSHEET, 2005

Congregation: _____

Pastor: _____

1. Basic Compensation

- a) *Base Salary*: 65 units @ \$333.83 each = \$ 21,699
b) *Local Cost of Living*: = \$ _____
c) *Experience Increments*: _____ Units @ \$333.83 each = \$ _____
d) *Educational Increments*: _____ Units @ \$333.83each = \$ _____
e) *Responsibility Increments*: _____ Units @ \$333.83 each = \$ _____
Total Basic Compensation: \$ _____

2. Benefits: MC Canada Benefit Plans (estimates, subject to Plan requirements)

- a) Pension Plan: (congregation pays 4% ___ or 5% ___ of salary) = \$ _____
b) Long-term Disability: (congregation pays ___ %) = \$ _____
c) Life Insurance: (congregation pays ___ %) = \$ _____
d) Other: [e.g. Extended Health & Dental Benefits] (congregation pays ___ %) = \$ _____
Total Benefits: \$ _____

3. Expenses:

- a) Car and travel expenses (@ ___ ¢ per kilometer) = \$ _____
b) Workshops, courses, etc. = \$ _____
c) Books and periodicals = \$ _____
d) Conference attendance = \$ _____
e) Other expenses = \$ _____
Total Expenses: \$ _____

4. Statutory Benefits: Employer Costs (estimates, subject to government mandates)

- a) Health Tax (as mandated by provincial plan) = \$ _____
b) Canada/Quebec Pension Plan = \$ _____
c) Employment Insurance = \$ _____
Total Statutory Benefits: \$ _____

5. Total Salary and Benefits: Cost to Congregation \$ _____

6. Vacation Allowance: _____ weeks vacation, plus _____ statutory holidays

7. Study/Service Leave Provisions:

Signatures (indicate agreement with figures in items 1, 3, 6, 7, and the principles of items 2 and 4):

Pastor _____ Date: _____

Congregational Officer _____ Date: _____

(Please submit a signed copy of this worksheet to your area conference leadership office)