

2023

Compensation Development Tool for Pastoral Ministry Leaders

▶ Section 1

Prepared September 2022

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Part 1 – Compensation Development Tool 4

1. Introduction
2. Why Compensation Development Tool
 - a. Biblical Principles
 - b. Recruitment & Retention of Pastors and Staff
 - c. Sound Human Resource Practices
3. Compensation Development Tool Formula
 - a. Base Amount
 - b. Housing Adjustments
 - c. Education Adjustments
 - d. Experience Adjustments
 - e. Responsibility Adjustments
 - f. Discretionary Adjustments
4. Compensation Calculation

Part 2 – Further Payroll Information for Treasurers 8

5. Clergy Residence Deduction – T4
6. Clergy Residence Deduction at source (monthly)
7. Group Insurance
8. Canadian Baptists Pension
9. Government Pension (CPP / QPP) & Employment Insurance

Part 3 – Time Expectations for Board and/or HR Team 10

10. Sick Leave
11. Vacation
12. Maternity & Parental Leave
13. Compassionate Care Leave
14. Sabbatical Leave
15. Statutory Holidays & Days Off

Part 4 - Other Considerations 12

16. Honoraria, Gifts or Bonuses
17. Ministry Related Expenses
 - a. CBOQ Training
 - b. Professional Development
 - c. Automobile Allowance
 - d. Hospitality Expenses
 - e. Other Costs

Contact Information

Compensation Development Tool

1. Introduction

Welcome to the Canadian Baptists of Ontario and Quebec Compensation Development Tool for Pastoral Leaders. This resource was developed to help your church leadership team develop a fair and equitable compensation package for your pastoral ministry leaders.

As a member church of CBOQ, you are free to offer compensation to your staff as you deem responsible to meet the needs and mission of your church. This tool is a recommended compensation tool. However, we recommend that you seek to meet these minimum standards and when possible seek to exceed them.

There are some unique dynamics for churches and pastoral ministry leaders when it comes to developing a compensation package that works well for both the church and the pastor. As an employer, your leadership team is responsible for developing a compensation package as well as developing healthy and robust HR practices. Many churches have a HR person or team or a “Pastoral Relations Committee” that helps the board in this area.

In **Part 1** we provide the basis for this compensation tool as well as the salary formula. As you will see in this tool, we suggest starting with a base salary and then consider five adjustments:

- Housing Adjustments
- Education Adjustments
- Experience Adjustments
- Responsibility Adjustments
- Discretionary Adjustments

Part 2 is designed for church treasurers and/or bookkeepers to provide you information regarding payroll information and pension and benefits.

Part 3 and **Part 4** lay out some of the considerations that your church, as an employer, will need to be in dialogue with your employees. Often these discussions will involve, the treasurer, a board designate and the pastor.

This tool was designed for Leadership Teams (Deacons, Elders, Council, or Directors), church treasurers, and/or your Pastoral Relations Committee or HR Team. We recognize that you will need to gather the appropriate people and involved the employed pastor to achieve reasonable employment compensation.

2. Why Compensation Development Tool

Compensation Recommendations are necessary in times of employee and employer-changing needs, increasing options and employer-employee expectations. Here are three reasons why CBOQ provides a compensation development tool for its churches:

a. Biblical Principles

The Biblical principles of serving vocational ministers well by providing them with a living wage, honouring them with a deserving wage and paying them generously are reflected in these passages:

- “In the same way, the Lord has commanded that those who preach the gospel [ministers] should receive their living from the gospel” (1 Corinthians 9:14). That is, those who minister or administer the gospel should receive compensation from where they serve.
- “The elders [ministers] who direct the affairs of the church well are worthy of double honor, especially those whose work is preaching and teaching. For Scripture says, ‘Do not muzzle an ox while it is treading out the grain,’ and ‘The worker deserves his wages’” (1 Timothy 5:17-18).

b. Recruitment & Retention of Pastors and Staff

Accredited ministry leaders have many ministry and vocational options available to them. These options are, at times, found within CBOQ in terms of varying roles and responsibilities offered by churches, and therefore movement of pastors from church to church is normal. However, when options arise based on varying compensation packages from church to church, retention and/or recruitment of pastors becomes a problem. Furthermore, some other denominations have more attractive compensation packages. Our desire is for CBOQ churches to provide comparable compensation packages.

c. Sound Human Resource Practices

There is a confidence and predictability that comes with sound compensation development and consistent communication.

We recognize that due to economic realities some churches may struggle with affordability. This tool is designed to help your church develop a fair and equitable compensation package for your employees. When possible, we hope your church will go above and beyond what is stated here. However, we also recognize that your church may not be able meet these targets. Each church and potential employee will need to make decisions based on both church and individual realities.

- For the church to consider:
 - “What compensation package will be offered to a potential employee?” and “if the church is unable to achieve these targets, is it viable to offer employment as a bi-vocational or part-time position?”
- For the potential employee to consider:
 - “What kind of compensation do I need?” and “If the compensation packages does not meet my needs and expectations, then, am I prepared to serve as part-time or bi-vocational pastor?”

3. Compensation Development Tool Formula

CBOQ recommends utilizing a base salary and then considering five wage adjustments for your pastoral staff: Housing Adjustments, Education Adjustments, Experience Adjustments, Responsibility Adjustments, and Discretionary Adjustments.

Base Salary

- The base salary for CBOQ ministers is the starting point for calculating all pastoral salaries. This Base Salary is adjusted on an annual basis by CBOQ and the local church.
- CBOQ develops the base salary in two ways:
 - Regularly reviewing and comparing the salary guidelines of other denominations.
 - Reviewing the annual Canadian cost of living via the Consumer Price Index. Comparisons are made year to year by reviewing the July-June average compared to the same period in the previous year.
- The 2023 CBOQ Base Salary is \$44,268.

Housing Adjustments

MLS Home Price Index found on <https://www.crea.ca/housing-market-stats/mls-home-price-index/> is used to evaluate the cost of living in various cities. The cost adjustments are calculated based on seasonally adjusted composite benchmark housing prices in corresponding cities and areas. The cost adjustment ranges were validated with two other sets of data, including rental values and living wage variations between cities.

In certain circumstances, where a location is not found, please use the nearest region.

Education Adjustments

- The education adjustment endeavors to elevate the importance of education, to honour the person earning a degree and to recognize the increase in effectiveness that results from further education.
- We encourage the following education adjustments:
 - Bachelor of Theology or equivalent \$1,000
 - Masters of Divinity or equivalent \$3,000
 - Doctorate (PhD, DMin, DPT) \$4,000

Experience Adjustments

- The Experience Adjustments recognizes pastoral vocational ministry and life experience. Please use these Experience Allowance figures in your calculations:
 - Level and years of CBOQ accreditation are recognized up to 5 years
 - A \$1000 increment is encouraged for each additional year of service to a maximum of fifteen (15) years. More can be added in the discretionary section.

Responsibility Adjustments

- The Responsibility Adjustments are designed to take into consideration the size of your congregation and if the pastor has a supervisory role with other staff.

Discretionary Adjustments

- The Church Board may extend additional salary and/or bonuses to pastoral staff, with the understanding that:
 - these would be considered taxable income; and,
 - these may be extended as a one-time allowance.

4. Compensation Calculation

An excel file is available to help in calculating compensation for CBOQ pastors.

It is available at <https://baptist.ca/personnel> and named **Compensation Development Tool – Section 2**.

NOTE: Part-time Salary Calculations

These can be used for part-time pastoral positions by calculating the percentage of time against the salary allowances above. For example, if the pastor is half-time, apply 50% of the appropriate figures to determine the salary.

Further Payroll Information

For Treasurers

5. Clergy Residence Deduction – T4

The Clergy Residence Deduction is a benefit the Government of Canada extends to clergy through CRA as a personal benefit. It is the employee's responsibility to initiate and submit application for this deduction, in addition to the T4 Statement of Remuneration Paid form.

Upon request of your pastor(s), you as an employer are required to:

- Provide a letter verifying the employee is employed by your church and is receiving a specified annual salary.
- Complete and sign Part B of the Clergy Residence Deduction form. This form is required in order for the eligible employee to claim clergy residence deduction.

6. Clergy Residence Deduction at Source (Monthly)

The “at source” deduction, from each pay cheque, means you as an employer have legal authorization from CRA to deduct a specified amount from the employee's pay cheque as non-taxable income. Your pastor(s) must annually provide you with an authorization letter from CRA before deduction at source can be implemented. This letter will state the amount of money you are allowed to deduct as non-taxable income on your employee's monthly compensation calculations.

NOTE:

- a. CRA requires ministry employees who own or rent their residences and wish to have their income tax deductions reduced at source in connection with the Clergy Residence Deduction, to annually file a form **T1213 - Request to Reduce Tax Deductions at Source**.
- b. Your pastor is responsible to secure the T1213 form at <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1213.html> and to file it no later than November 1. This will allow sufficient time, typically 4 to 8 weeks, for CRA to provide an authorization letter to the pastor by January 1 of the following year.
- c. As previously stated, your pastor must provide a copy of the CRA Clergy Residence Deduction at Source authorization letter to the church. This is each employee's responsibility. It is the employee's responsibility to file the T1213 form. Should you require more detailed information about Clergy Residence Deduction, visit:
 - Canada Revenue Agency (CRA) at www.cra-arc.gc.ca
 - The Canadian Council of Christian Charities at www.cccc.org
 - Provincial Tax Rates:
<http://www.cra-arc.gc.ca/tx/ndvdl/fq/txrts-eng.html>

7. Group Insurance

Group Life, Health, Dental, Long-Term Disability and Employee Assistance Plan benefits are provided for employees working 20 hours or more a week in the Church, through CBOQ's Group Plan. Should the employee decline any of the group benefits, a signed Waiver should be retained by the Church and a copy provided to J&D Benefits. Further details and application forms are available through J&D Benefits. If the employee selects the Optional Life Insurance coverage this is an employee paid premium.

8. Canadian Baptists Pension

The Canadian Baptist Pension Plan is available to all employees of member churches who earn a minimum of \$19,565 annually or work 700 hours per year. It is a defined contribution plan administered by Canada Life. This is to be calculated as 6% of salary to be contributed by the church and 6% deducted from the Pastor's salary for a total remittance of 12%. By law, these funds must be remitted to Sun Life monthly. The church is obligated to offer this Plan to its employees but participation may be waived at the employee's request. A waiver form can be obtained from finance@baptist.ca. The signed waiver must be submitted to the CBOQ Office and Canada Life.

9. Government Pension (CPP / QPP) & Employment Insurance

The church is required to pay its share of the Canada Pension Plan (CPP) and Employment Insurance (EI) premiums. These payments, together with the source deductions from payroll, are required to be remitted to the proper authorities in a timely manner. For further information, please visit: <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll.html>

Time Expectations

For Board and or HR Team

10. Sick Leave

It is recommended that a church adopt a sick leave policy for their Pastor. The following is offered as a guideline: “An employee shall receive credit for 15 days paid sick leave per year. Unused sick leave credit will be allowed to accumulate from year to year to a maximum of 85 days. Accumulated sick leave is forfeited at termination.”

11. Vacation

All full-time pastoral leaders and staff are expected to take vacation. Subject to labour Standards for Ontario and Quebec, CBOQ suggests churches provide one-month vacation, pro-rated for the first year.

In calculating vacation time earned, the date of hire should be established as the “anniversary date”. When the pastor moves, the church he or she is leaving will calculate the vacation time owing from the most recent anniversary date.

NOTE: CBOQ expects all credentialed pastors to participate in annual Assembly, Regional Gathering, Pastor Development Days, and retreats. Participation in these events is not to be considered vacation.

12. Maternity and Parental Leave

It is recommended that churches develop a parental leave policy for their staff even if no one is pregnant now. Such policy will be useful in the advent that a staff person expects a child. The policy should take into consideration maternity benefits (only for mothers) and parental benefits (which applies to both fathers and mothers) and whether the church would top up these EI benefits.

The Church Life and Leadership Team would be pleased to assist your church in this matter.

13. Compassionate Care Leave

Compassionate care benefits are Employment Insurance (EI) benefits paid to people who need to be away from work temporarily to provide care or support to a family member who is gravely ill and has a significant risk of death. A maximum of 26 weeks of compassionate care benefits may be paid to eligible people. Further information can be found at: <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/compassionate-care.html>

14. Sabbatical Leave

It is recommended that the church put in place a policy for sabbatical leave for the Pastor. For example, a church might offer a three-month sabbatical after 5-7 years of service. Other suggestions concerning the rationale and structure of sabbaticals are available through the Church Life and Leadership Team.

15. Statutory Holidays & Days Off

Churches should encourage pastors to take two days off per week for rest and personal affairs, with allowances for statutory holidays. Each province has employment legislation requiring that all employees be granted time off or be paid time-and-a-half for specified “general holidays”. These usually include a minimum of nine of the following days: New Year’s Day, Family Day, Good Friday, Easter Monday, Victoria Day, Saint Jean Baptiste, Canada Day, Labour Day, Thanksgiving Day, Christmas Day and Boxing Day (and any other day designated by the employer). Some of these days are special days in the church calendar, requiring pastors to perform services on them. Churches should grant their pastor(s) other time off to compensate for these days.

Other Considerations

16. Honoraria, Gifts or Bonuses

Honoraria are gifts of appreciation given to pastors and should be viewed as love gifts to the pastor. All portions of honoraria above and beyond incurred expenses are viewed by CRA as taxable income and are the responsibility of the employee to declare when filing annual income tax. Regarding gifts and bonuses, visit: <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4130/employers-guide-taxable-benefits-allowances.html>

17. Ministry-Related Expenses

The following expenses are to be covered by the church. They are included because of their importance as part of the employer/employee relationship.

a. Denominational Networking

CBOQ expects churches to make financial provision for their pastors to attend Retreats, Regional Gatherings, and Assemblies. Costs should be included in the church's annual budget, and these are non-vacation times away from ministry related duties. Please understand this expectation is designed to build into the life and health of your pastor(s) and to build strength into the life of our denomination.

b. Professional Development – Continuing Education

Churches should set aside funds for the professional development of their pastors. A good range is \$500 annually for study materials and \$1,500 for participation in conferences or seminars, including travel. These would be provided on actual reimbursement basis.

It is recommended that a period be set aside annually for the Pastor's Continuing Education.

- This should be up to ten days duration, which should include at least one Sunday.
- The Church should insist on at least one such study leave in any two-year period.
- The time set aside for study may be cumulative to 20 days in two years.
- The Church should make available, annually, at least \$2000 for Continuing Education and book allowance.
- In addition, consideration should be given for the Pastor and spouse to attend the CBOQ-endorsed training event and CBOQ Assembly.

c. Automobile Allowance

In 2022 CRA allows employers to reimburse employees an automobile allowance up to \$0.61 for the first 5,000 km per year, and \$0.55 after that. This allowance relates to only travel done carrying out church duties and does not include travel between the pastor's home and the office. Automobile allowance is designed to assist in the total costs incurred for using a personal vehicle in the carrying out of ministerial duties. You as employer, along with the employee, are required by CRA law to retain a Mileage Log. This is vital for Income Tax purposes.

d. Hospitality Expense

A hospitality allowance is necessary for the ongoing personal ministry of your pastor(s) to the people of your church and community, and therefore should be included in the annual budget. The allowance will vary from church to church and pastor to pastor. A good starting point is \$75-\$125 per month for coffee-type appointments. The allowance needs to be higher if eating meals is anticipated.

e. Other Costs

CBOQ expects churches will provide pastors with the necessary tools required to do the work of pastoring, including but not limited to: administrative support, a mobile phone with adequate plan, a laptop computer, internet access for work and home, and technology support as needed.

Contact Information

Please contact Carol Gouveia at cgouveia@baptist.ca if you have any questions or require help with the Compensation tools.



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