

Supporting Our Ministry

2009 Compensation Guidelines

Introduction - Understanding Compensation for Ministry

This resource is entitled “Supporting Our Ministry” because ordained clergy, commissioned and licensed ministers are called and compensated for the sake of the whole church’s ministry and mission. Any who recommend, determine or evaluate compensation for those leaders, therefore, need to understand compensation in the context of the whole church’s ministry.

All Christians are called to ministry and mission, beginning with their baptism. Congregations have found that properly trained leaders are indispensable if they are to be faithful to the gospel and to God’s mission. Well-educated, trained clergy help the church guard against distortions of the gospel, neglect of prayer or scripture, or misuses of religion. Studies in Bible, church history, theology, psychology, and more prepare clergy to preach and teach the gospel faithfully in changing social times. Clergy need also to understand psychological, social, political and economic realities to help the church hear God’s call and respond in faithful mission. Professional full-time clergy developed because such responsibilities demanded more education and time than could be achieved by volunteers.

Congregations compensate pastors/teachers/preachers/leaders to equip members for ministry through: Bible study, worship, preaching, teaching, administering the sacraments, counseling, prayer, spiritual direction, and support at times of special personal or community need. Compensation reflects, therefore, the congregation’s intention to live in faithful service to God. That makes their relationship with their minister different from that of employer to employee, even though a written call should be considered a legal contract. Their relationship is a covenant defined by their responses to God’s call.

The following principles, in summary, are important when considering compensation for ordained clergy and other ministers:

The church compensates leaders for the sake of and in the service of the whole church’s ministry and mission.

The minister is not “hired” by a congregation to serve itself, but is called as pastor and teacher to lead all members in proclaiming the gospel, being stewards of God’s human and material gifts, and serving God’s mission. The minister is thus a local representative of the gospel tradition and the whole church.

The church’s ministry both requires and deserves our faithful stewardship, our generous giving.

One part of the church’s ministry should not be put in competition with another because of weak stewardship. For example, local and wider mission are both essential; adequate clergy compensation and building maintenance are both very important. Faithful ministry requires faithful stewardship.

Compensation should be consistent with the values faith affirms.

It should honor experience, education, and responsibilities. It should meet genuine needs and be reviewed annually to respond to changing personal or economic conditions. It should be generous, just, and equitable regardless of race, gender or social status.

I. Components of Compensation

The following elements comprise an adequate and fair compensation package:

A. Cash Salary

Salary is determined by considering the responsibilities of the position, levels of education and years of experience in ordained ministry. The table below relates compensation to church membership size and years of ordained experience. The cash salary should be comparable to that of other professions in the community requiring similar education and experience.

Please bear in mind that the particular responsibilities and experience of your pastor, as well as other factors may dictate a higher level of compensation. These guidelines suggest minimum compensation levels.

2009 Ministerial Cash Salary Guidelines

The following table and notes indicate recommended base cash salary based on church membership size and the minister's years of experience. It is important to note that the value of a provided parsonage or cash housing allowance is NOT included in the figures below. For the compensation package to meet these guidelines it must include BOTH the cash salary as calculated below AND the value of a provided parsonage or cash housing allowance.

Church Membership	1-100	101-200	201-300	301-400	401-500	501 +
	\$28,360	\$29,055	\$29,750	\$30,445	\$31,140	\$31,835

These amounts are for a pastor in his/her first year of ministry. The amounts above should be increased by \$480 for each additional year of pastoral experience. A pastoral compensation package does not meet conference guidelines unless it includes the recommended adjustments for church size and years of ministry experience.

Notes: The base recommendation (the amount to the far left of the line above) has been increased by approximately 2.7% over the recommended amounts for 2008. The incremental increase for each year of experience has also been increased by 3.2% (from \$465 per year of experience in 2008 to \$480 per year of experience in 2009).

Including an additional year of experience, these recommendations suggest effective increases ranging from 4.4% for a pastor moving from no experience (the far left of the table) to one year of experience in that smallest size church to an increase of 3.8% for a pastor moving from 20 to 21 years of experience at the far right side of the scale. For purposes of comparison, the Consumer Price Index (CPI) increased 4.3% from January 2007 to January 2008.

B. Housing

OPTION 1: PARSONAGE PROVIDED If a parsonage is provided it is recommended that there be a written agreement between the church and minister concerning all procedures for regular maintenance and repairs. The payment of utilities should be the responsibility of the church, with the exception of personal telephone calls. Because the pastor who lives in a parsonage will not accumulate

equity as does a person who owns his/her own home, it is recommended that the church establish a tax-sheltered equity fund (usually an IRA) into which payments in lieu of equity accumulation will be made on the pastor's behalf.

OPTION 2: HOUSING ALLOWANCE If the church does not provide a parsonage, a housing allowance should be calculated and paid based on the median price of owner-occupied housing in the church's own community. These guidelines suggest that the housing allowance be set a 1% per month of the cost of that median priced home (e.g., if the median priced home is \$100,000, the annual housing allowance would be \$12,000).

It is important for the church and minister to understand that the value of the parsonage, or the amount paid as housing allowance is NOT taxable for purposes of income tax, and should not be included in box 1 of form W-2. However, the value of the parsonage or the housing allowance paid IS taxable for purposes of Social Security.

NOTE: Definition of "Salary Basis"

The "Salary Basis" is the sum of the cash salary plus either the housing allowance or the value of the parsonage provided. For purposes of calculating the "Salary Basis," the value of a provided parsonage should be set at 30% of the cash salary. The "Salary Basis" is the figure from which the pastor's pension contribution and Social Security offset is calculated.

C. Social Security Offset

It is important to understand the "dual-status" of the professional clergy. For purposes of income tax, the minister is an employee whose cash compensation is reported on IRS form W-2 (the housing allowance or value of a provided parsonage is NOT included in this figure). For purposes of Social Security, however, the minister is considered self-employed and must pay self-employment tax at the rate of 15.3% of cash salary plus housing allowance/value of provided parsonage. To acknowledge this anomaly, it is recommended that the church increase compensation by approximately one half the minister's anticipated Social Security liability (the same amount the church pays directly on behalf of all other non-ministerial employees). The Social Security offset should be calculated at 7.65% (one half the self-employment tax rate) of the salary basis. For purposes of income tax reporting, the offset is additional compensation and must be included in cash salary on form W-2.

II. Forms of Ministry

A. Full-time Ministers

Ordained full-time ministers need to receive at least the minimum cash salary. For purposes of these recommendations, it is assumed that full-time service consists of approximately 50 hours work per week.

B. Associate Ministers

Associate ministers' compensation will vary with responsibilities, experience, and training. While it is common for an associate minister's cash salary and housing to be less than a senior minister's, it should meet at least the minimum guidelines on page 3. Any differential between the compensation of a senior pastor and that of an associate would best be accomplished by **INCREASING** the compensation of the senior pastor (for additional responsibilities, etc.) rather than by reducing the compensation of the associate. Full benefits should be provided.

C. Part-time Ministers

Congregations who call a minister to less than full time service can determine the recommended equivalent cash compensation by multiplying the recommended amount in the salary chart by the percentage of a full-time work week that the pastor is agreeing to work. For example, if the pastor has contracted to work 25 hours/week, the recommended salary and benefits should be calculated at 50% of a full-time package (see paragraph A. above).

D. Interim and Intentional Interim Ministers

An interim serves during the transition between the former minister's departure and the calling of a new minister. Both interim and intentional interim ministers should be compensated according to the same standards as are called ministers.

E. Supply Ministers

Supply ministry is another model by which to address the pastoral needs of a congregation between installed pastorates. This may be as little as regular pulpit supply or expanded to include hospital visitation and/or other specified pastoral duties. Supply ministers may be lay, licensed or ordained.

A minimum weekly compensation of at least \$75 to \$100, plus travel expenses, is recommended for worship leadership. The compensation should be increased when there is more than one worship service, or when pastoral services beyond worship leadership have been agreed upon.

F. Commissioned Ministers

Commissioned ministers are lay persons normally with a college degree plus specialized training in a specific area of ministry not requiring ordination, such as Christian education, music ministry, administration, outdoor ministry, etc. Compensation should reflect experience, education and special training, and be similar to that of other individuals in the community with similar responsibilities.

G. Licensed Ministers

Licensed ministers are persons who have received pastoral training (e.g., CENTER/LEARN) for congregational leadership in settings where an ordained minister is not readily available. Compensation should address fairly the licensed minister's needs in relation to the amount of time and responsibilities required by the position. The experience and responsibilities of licensed ministers will vary significantly from person to person and from place to place and appropriate compensation will take those variances into account. It is therefore recommended that compensation for licensed ministers be determined on a case by case basis and may vary from 85% to 100% of the above recommended guidelines for cash salary, housing, and other recommended benefits (and be pro-rated for part-time licensed ministers according to the directions found in paragraph C. above).

III. Benefits

A. Pension/Annuity

Participation is recommended in the program of retirement benefits administered by the Pension Boards of the United Church of Christ. The recommended rate of participation is 14% of the "salary basis," which for pastors paid a housing allowance is the total of cash salary, and housing allowances OR, for pastors provided a parsonage, the total of cash salary, plus 30% of cash salary. (Please see definition of salary basis on page 4). Payments are made directly by the church to the Pension Board on a quarterly basis and all payments and accumulations are tax deferred until retirement.

B. Health Insurance

It is recommended that the church provide effective hospital, surgical and major medical coverage for the minister and all dependents through the Pension Boards Group Health Insurance Plan.

Employing congregations are urged to pay 100% of the annual premium which is payable quarterly to the Pension Boards and included on the same statement with the annuity dues and the Life Insurance and Disability Benefits Plan. IRS regulations provide that premium payments paid by the congregation are not “subject to taxation.” Premium notices are mailed to the church with the expectation that they will be paid in full by the 15th of the month preceding the quarter of coverage. It is important to note that if the premiums are not paid on time the minister and family risk loss of coverage and cannot be reinstated without full medical examinations. If a minister agrees to leave the UCC Group Plan for other insurance provided by the church, re-admittance may be possible only after a complete medical exam for all those to be covered; thus if a minister drops coverage for any reason, there is a risk of being declared uninsurable or of being severely restricted in insurability in future years.

C. Dental Insurance

Dental coverage is also recommended and is available as an optional coverage through the Pension Boards.

D. Life Insurance and Disability Benefit Plan

This coverage is available at a premium of 1.5% of the salary basis to ministers, ordained or licensed, who are members of the Pension Boards annuity program and who pay at least 11% of the salary basis into the annuity fund. Such coverage is highly recommended because it provides:

1. Long term after 90 days of disability.
2. Short-term disability benefits are payable under this prior to the qualification for long-term benefits.
3. Term life insurance on a minister’s life to ensure that survivors have some financial protection in the event of the minister’s death.

The terms of the disability policy are not easily summarized. For a more complete explanation of the Pension Boards Disability coverage, please consult the Pension Boards.

E. Workers’ Compensation

Churches are required by law to provide workers’ compensation insurance coverage for all employees including clergy.

F. Malpractice Insurance (pastoral counseling and misconduct)

Each church should purchase malpractice insurance to protect both the church and its staff in the event of a lawsuit.

G. Flexible Spending Accounts

There will be tax savings for the pastor if a Flexible Spending Account is established into which the pastor may designate pre-tax deductions from his/her salary be deposited. Upon presentation of proper documentation for certain medical and dependent care expenses, those amounts are reimbursed to the minister tax-free. The UCC Pension Boards will administer such a plan at modest cost. The church may administer the plan itself, but must be careful to follow all the pertinent regulations.

IV. Reimbursement of Expenses Incurred on Behalf of the Church

Reimbursable expenses are those costs reimbursable to the minister or lay minister, which are incurred in the performance of pastoral duties. They are not part of the person's compensation. They are "business" expenses for which the congregation is responsible. The IRS considers the following to be reimbursable expenses:

A. Automobile

It is recommended that the minister be reimbursed for travel expenses related to costs incurred for using an automobile in ministry. These expenses should be seen as cost to the church and not the minister. Churches should choose one of these options:

1. Reimburse the minister for use of his/her personal automobile at the current IRS rate for employee use.
2. Provide the minister with an auto for church business by purchase or lease. When such an auto is used for personal use, the minister should reimburse the church for such use. Please note that IRS regulations apply to all these options and should be carefully consulted.

B. Conference and Association Meetings

Ministers are expected to attend official Conference and Association meetings and should be encouraged also to serve in wider ministry settings--in the association, camp, conference, or national settings. Such service, in appropriate amounts, should be considered part of both the congregation's and the pastor's ministry and mission. The Conference asks congregations to encourage their ministers to offer one week's service per year at Pilgrim Heights Retreat Center as a counselor or dean. Such wider service is neither time off nor vacation. Expenses not reimbursed by the wider ministry setting should be reimbursed by the local church.

C. Continuing Education

Congregations should expect their minister to pursue professional growth and development, since both truly benefit from it. Continuing education leave of two weeks each year is recommended, with an amount budgeted (\$300-\$600) to cover a major portion of the expenses for tuition, travel, housing and meals that might be involved. The appropriate church board should be involved in approving a mutually beneficial experience.

D. Moving Expenses

It is understood that the calling congregation pays full moving expenses.

E. Other Professional Expenses

A specific amount should be negotiated each year to cover other professional expenses. Books, magazines, publications not otherwise covered by the church budget, work related meals, cost of entertaining church groups, gifts, cost of participation in program activities of all church groups, association and conference responsibilities, vestments and dues, are included.

V. Other Benefits and Provisions

A. Vacation and Days Off

Clergy are often expected to work more than the standard 40 hour work week. Responsibilities often require work on evenings and Saturdays as well as Sundays; therefore an **annual vacation of four weeks**, including four Sundays, should be considered as standard. **Two days off per week** should be strongly encouraged to assure a minister's continued health and endurance.

B. Sabbatical Leave

Continuous changes in modern day life, new needs and increasing demands upon the leadership of the church underscore the importance of continuing education for ministers. In planning to meet this need, the church would be recognizing what business and industry have long understood. Therefore, the Commission on the Ministry offers the following recommendation for consideration by the churches:

1. That after every five years of service and in anticipation of further ministerial tenure, the minister be allowed and granted a three-month sabbatical with full pay for the purpose of professional study and growth. Local churches are encouraged to pay 50% of the cost of tuition and other expenses--travel, board, lodging, etc. A sabbatical is not a vacation. During a sabbatical year, regular vacation time should also be allowed, either added to sabbatical time, or taken separately.
2. That in consultation with the Association Committee on Ministry, the church should make provision for pulpit supply and pastoral care during sabbatical.

C. Emergency or Personal Leave Day

It is recommended that a number of personal leave days be identified to be used in cases of special family crises or celebrations. The Conference offers three days per year, not cumulative.

D. Sick Leave

It is recommended that upon being called to serve a local church in the Iowa Conference sick leave will be established at 30 days per year with no unused days carried over to the next year. In the event of serious and extended illness and/or disability an additional 60 days may be negotiated with the local church governing body in consultation with the Association Committee on Ministry and the conference staff, if requested (see the section on disability insurance).

E. Maternity/Paternity Leave

A period of maternity/paternity leave is a recommended way for congregations to support a minister and family. In the case of mothers, six weeks of leave is recommended, and in the case of fathers, three weeks of leave is recommended, usually to be taken during the last week of pregnancy and the first weeks after delivery. These guidelines could also apply to adoptive parents. Details of the leave should be negotiated and clearly expressed to the congregation to avoid misunderstandings.

F. Minister's Death

In case of the minister's death, it is recommended that the spouse and/or family receive full salary for the current month plus any vacation time earned, plus three additional months pay. The family shall be entitled to live in the parsonage free of charge or have housing allowance up to 90 days. Further

provisions may be made upon mutual agreement between the church, the spouse and/or family of the deceased minister, and the Conference Minister and/or the Association Committee on Ministry.

VII. Working Together for Effective Ministry

The covenant that binds a minister and congregation in mutual ministry and mission needs to be nurtured, strengthened, and sometimes renewed. Here are some specific ways that can be done.

A. Pastoral Relations Committee

A small committee of three to seven persons is given the specific job of nurturing the minister, the relationship between the minister and the congregation, and clarifying the role of the minister. Such care can build the trust and communication necessary to deal effectively with inevitable tensions or conflicts that arise. Training for the PRC is available from Iowa Conference staff persons.

B. Annual Review of Compensation

An important task for the church, either by the personnel committee or some other designated committee, is an annual review of the minister's compensation. The review should be an open and caring conversation allowing the minister to express changing needs or expectations. An annual increase of cash salary reflecting any increase in the cost of living should be considered. Compensation does reflect the congregation's intentions to take seriously their own calling. Additional salary increases reflecting meritorious service or increased responsibilities affirms the mutual covenant between minister and congregation

C. Ministry Review

Any planned review of ministerial performance needs to be done at a time sufficiently distant from annual compensation review to avoid linking the two. Performance review should be undertaken only when its purpose is clear, and only if there are not immediate tensions in the relationship between minister and congregation. Such purposes might be to clarify congregational goals and objectives, to assess the minister's use of time in relation to those objectives, to identify unmet needs, or skills that need further development. Review of the congregation's performance is as important as review of the minister's performance. Deficiencies in performance by one party can seriously impede effectiveness by the other. Information on ministry evaluation is available from conference staff.

It is understood that the Conference Minister and/or the Associate Conference Minister and the Association Committee on Ministry shall be consulted at the request of either the minister or the congregation, should the relationship between them be strained or in jeopardy.

It is understood that the minister is to have freedom of the pulpit in matters of faith and ethics according to the dictates of the Word of God, the work of the Holy Spirit, the traditions of the United Church of Christ, and the realities of the world.

NOTE:

These guidelines have been developed by the Commission on the Ministry and the Board of Directors of the Iowa Conference of the United Church of Christ. The guidelines are reviewed annually.

The ministerial staff of the Iowa Conference UCC is available for consultation and resourcing and seek to be helpful as you have need while ministering together.

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