



**CENTRAL ATLANTIC
CONFERENCE**

**2004-05
PASTORS' MINIMUM
COMPENSATION
GUIDELINES**

**CENTRAL ATLANTIC CONFERENCE UNITED CHURCH OF CHRIST
2004-05 PASTORS' MINIMUM COMPENSATION GUIDELINES**

THE HANDBOOK

Development

Developed by the Board of Directors and recommended by the Annual Meeting of the Central Atlantic Conference, these guidelines for ministerial compensation have been proposed for all ordained persons serving as pastors in the Central Atlantic Conference (CAC). The CAC recognizes the challenges faced by local congregations in meeting operational budgets while continuing to do God=s work. Local churches are urged to prayerfully consider meeting the minimum compensation guidelines outlined herein to the best of their abilities.

Distribution

This handbook has been approved by a majority of the delegates to the Annual Meeting of the CAC. Each delegate is encouraged to make sure it is further distributed to her/his congregation. In addition, this handbook is made available to: a) local church governing bodies, b) the clergy of the conference, c) church and ministry committees, d) search committees, and e) potential candidates.

Compensation Philosophy

This handbook assumes that pastors, given their years of graduate education and the significant responsibilities of parish leadership, will be adequately compensated by CAC churches. Indeed, the philosophy of this handbook is that churches will aim to provide pastors with a standard of living relatively free of financial stress and a salary that is comparable to other professional occupations requiring post-graduate degrees. Several major factors have been used by the CAC (and many other UCC Conferences) to establish minimum guidelines for pastoral compensation. These factors include 1) the number of church members and 2) the number of years of relevant pastoral experience. The Salary Grid for the year 2004-05 has been increased 3% over 2003.

Use

The CAC Board of Directors envisions two major situations where these guidelines should be of use. When a pastor is first called to a church, the minimum compensation guidelines should assist both the pastor and the congregation by providing a CAC-wide frame of reference on salary and benefits. In addition, the guidelines should be helpful during development of the church annual budget and establishment of the pastor=s compensation package. The CAC Board of Directors has asked each Association to offer assistance in helping church leaders understand compensation packages for both new and current pastors. Such consultation should enable all CAC churches to work together in implementing these guidelines.

To sustain rewarding and satisfying relationships between pastors and churches, it is recommended that each church have a Pastoral Relations Committee. This Committee should meet periodically with the pastor, advise the pastor of the concerns of the congregation, and act as an advocacy group for the pastor=s leadership in the church. Constructive evaluation of a pastor=s performance and concern for the pastor=s compensation might begin with this committee. Other leaders in the church, especially people skilled in personnel and financial matters, will usually be consulted before determining the actual compensation package.

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THE PASTOR=S COMPENSATION PACKAGE**

The pastor=s compensation package includes cash salary, provision of a parsonage, (previously called Ahousing allowance@) and benefits including pension, insurance, Social Security offset, sick leave, vacation and sabbatical.

Cash salary

1. It is recommended that all churches attempt to meet the minimum cash salary grid shown on page 6. The 2004-05 salary grid is based on the number of members in the congregation and years of experience in the ministry. The first column in the grid represents an entry-level salary, recommended for persons with no prior pastoral experience. Other columns show the recommended minimum salaries for different levels of experience, using a factor of 1% increase in salary for each year of experience.
2. The recommended base salary for Associate Clergy is 85-90% of Senior Pastors for comparable experience and education. The special ministry of a clergy associate should be highly valued and compensated equitably.
3. The local church should establish adequate salary compensation for supply and interim ministers. It is recommended that occasional pulpit supply pastors receive a minimum of \$100 plus mileage for conducting a worship service. Full time interim ministers should be paid at the same scale as other full time clergy, including housing and benefits. The salaries of part-time interims should be proportional to their percentage of a full-time position.
4. While the salary grid on page 5 should be appropriate for a majority of the CAC churches, there are at least two situations that require additional comment.

Annual Church Budget less than \$85,000 per year

The minimum recommended salary and benefits package for a pastor with no prior experience in a parsonage situation is \$59,357 (see Appendix, page 8). Assuming that this package is about 70% of the church=s budget, the estimated minimum church budget compatible with the year 2004-05 guidelines is \$85,000. The CAC recognizes that churches with small congregations and annual budgets less than \$85,000 per year face challenges in meeting the minimum salary and benefit recommendations in these guidelines. Churches in this situation are encouraged to explore ways that allow for clergy coverage of the congregation while still providing salary and benefits at or above the minimum levels in these guidelines.

One option is to have a part-time pastor, allowing the clergy person to supplement his or her income by way of another job. It is important that health insurance coverage be provided through at least one of the positions. Another option for churches to consider is a yoked parish. Yoked parishes pool their financial resources to provide salary and benefits for a pastor whose duties are shared with another congregation

Search committees and congregations are encouraged to contact their Associate Conference Minister to explore options for meeting church needs while providing equitable pay for their clergy. The CAC understands and appreciates the difficulties that local churches face in meeting their spiritual, mission, and evangelical calls. Their prayerful deliberation on this matter is acknowledged and joined by all within the Conference.

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Churches with Annual Budgets more than \$195,000 /year and less than 200 members

For churches with annual budgets of more than \$195,000/yr with less than 200 church members, it may not be equitable to pay the pastor strictly according to the Salary Grid on page 5. In such unusual situations, it is recommended that the pastor=s salary reflect the complexity of the pastor=s workload (e.g. people other than members served by the church, large physical plant), the church=s total financial resources (including endowments and other special funds) and the size of the church=s annual budget. Churches in this situation are encouraged to consult with their Associate Conference Minister.

Housing

1. It is usually desirable that a pastor own his or her own home, since home ownership allows for the building of equity over time. With the sale of a parsonage, many churches can lend pastors money for a down payment on a home. Alternatively, by renting their parsonage, a church can provide a housing allowance for the pastor.
2. When the pastor owns or rents a home, the church should pay a parsonage equivalent to cover the costs of owning and maintaining the home. The minimum recommended parsonage equivalent is the fair rental value (furnished) plus utilities and maintenance, but not less than 30% of the pastor=s cash salary. Local housing can be the greatest variable in costs from region to region within the CAC. This should be particularly taken into account for high housing cost areas, and the parsonage equivalent should be increased accordingly. For a parsonage equivalent to qualify as tax-free income, it must be clearly designated as such in the church budget and approved by the official board of the church each year.
3. If a pastor is required or chooses to live in the parsonage, the parsonage should be attractive, comfortable and well-maintained. It should be spacious enough for adequate sleeping quarters and a guest room. Appliances should be modern and in good working condition. All utilities (heat, light, water, garbage collection, yard maintenance and basic telephone service) should be provided by the church. Other expenses of maintaining a home may be excludable from income under IRS regulations. The parsonage should be regarded as the pastor=s private home.
4. To compensate for the loss of home equity by ministers who live in a parsonage and those who rent, the church should establish a home equity fund. It is recommended that \$2,000 to 4,000 be placed in this fund each year, to be held in trust and given to the pastor at the time that he or she leaves the parish. The pastor may choose another means to receive the home equity funds.

Benefits

1. Pension

The UCC Annuity Fund, a Atax-sheltered annuity@ offering both fixed and variable annuities, is excellent and every church is strongly encouraged to participate. The recommended level of participation is 14% of the salary base. Salary base equals 130% of cash salary plus social security offset if the pastor lives in a parsonage. For a pastor who receives a parsonage equivalent, salary base is the cash salary plus the parsonage equivalent plus the social security offset. Pastors are allowed to make tax sheltered contributions to the same annuity plan

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within the restrictions of the applicable IRS guidelines. UCC pension contributions are not reported as current income for tax purposes.

2. Insurance

The comprehensive insurance program of the United Church of Christ for clergy includes health insurance, dental insurance, group term life insurance, and long term disability insurance (family protection plan).

- A. Health Insurance B The UCC Health Insurance Program provides medical and dental insurance for pastors and their families. It is recommended that churches pay 100% of the premiums for the most comprehensive medical and dental insurance offered by the UCC program.
- B. Life Insurance and Disability Income Benefit Plan B This Plan provides disability income and decreasing term life insurance to aid families in case of disability or death. It is recommended that churches pay the premium for this Plan which is 1.5% of salary base (see above for definition). In case of disability or death, it is recommended that a local church continue to pay the pastor=s salary for three months until the Life Insurance and Disability Income Benefit Plan becomes effective.
- C. Professional Malpractice Insurance B It is recommended that all churches purchase professional malpractice insurance to protect pastors in the event of a lawsuit due to pastoral counseling. Churches insured through the Conferences of the UCC Insurance Program already have this insurance as a component of the Program.
- D. Tenant=s Insurance B It is recommended that all churches provide tenant=s insurance for all pastors who live in a parsonage.

3. Vacation and Leave of Absence

- A. Vacation B Pastors receive at least four weeks of annual paid vacation. In addition, eight days within each month should be granted as personal time for the purpose of rest and renewal.
- B. Sick Leave B During periods of temporary illness, salary and benefits normally continue. Payment of benefits under the Life Insurance and Disability Income Benefit Plan begin 90 days following the beginning of a disability.
- C. Family Medical Leave B Churches should make every effort to comply with the Family Medical Leave Act of 1993 in instances of need such as childbirth, adoption, elder care or other crises covered under this Act.
- D. Parental Leave – Parental leave with pay up to eight weeks may be taken by arrangement with the church. An ordained minister who is the parent of a newborn and/or newly adopted child or who is pregnant or a single parent may take, in addition to the paid leave, up to three months total leave, the last month of which is either accrued vacation time or leave without pay.
- E. Continuing Education B Annual leave of at least two weeks and an annual allowance of \$1200 for continuing education should be given to every pastor. Pastors should report the results of such studies to the Pastoral Relations Committee. Whatever the dollar amount the church provides, it should accrue from year to year.
- F. Sabbaticals B It is recommended that every church have in its written contract with the pastor the provision of a 3 to 4 month sabbatical leave every five years with full pay and benefits. The sabbatical should be a time of study, travel or

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experience of personal renewal for the pastor. Pastors should plan on continuing to serve the

No. of Church		Base Salary with a Parsonage Supplied for the Pastor					
Members	Entry Level	5 yr. Exp.	10 yr. Exp.	15 yr. Exp.	20 yr. Exp.	20+ yr. Exp.	
<100	\$29,996	31,495	32,995	34,495	35,995		
100	\$31,224	32,786	34,347	35,908	37,469		
150	\$32,454	34,077	35,700	37,322	38,945		
200	\$33,896	35,591	37,286	38,981	40,676		
250	\$34,913	36,659	38,404	40,150	41,895	Add	
300	\$35,960	37,758	39,556	41,354	43,152		
350	\$37,371	39,240	41,109	42,977	44,846	1%	
400	\$38,601	40,531	42,461	44,392	46,322		
450	\$39,830	41,822	43,813	45,805	47,796	for	
500	\$41,059	43,112	45,165	47,218	49,271		
550	\$42,289	44,403	46,518	48,632	50,746	each	
600	\$43,512	45,688	47,864	50,039	52,215		
650	\$44,747	46,985	49,222	51,459	53,697	additional	
700	\$45,971	48,270	50,568	52,867	55,165		
750	\$47,206	49,566	51,927	54,287	56,647	year	
800	\$48,431	50,852	53,274	55,695	58,117		
850	\$49,658	52,141	54,624	57,107	59,590	of	
900	\$50,888	53,433	55,977	58,521	61,066		
950	\$52,118	54,724	57,330	59,936	62,542	experience	
1000	\$53,348	56,015	58,683	61,350	64,017		
>1000	\$54,588	57,317	60,047	62,776	65,506		

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- G. same church for at least one year after taking such sabbatical leave. Churches should plan ahead for the resources necessary to provide continued ministerial coverage during a pastoral sabbatical.

4. **Social Security Offset**

For Social Security purposes, pastors are classified as self-employed. In contrast to other workers, pastors must pay all of their own social security tax. The rate for 2004-05 is 15.3%. Congregations are urged to share this burden by providing an allowance equal to approximately one-half the pastor's social security tax. Pastors must report this income for tax purposes.

Professional Expenses

A pastor's professional expenses are not included in the base salary. Expenses such as the use of the pastor's automobile, books and periodicals, etc. are costs to the church of providing pastoral services and should be reimbursed.

1. **Automobile** B Churches may want to consider buying or leasing an automobile for the pastor's professional use. Even in this situation, insurance, gasoline and maintenance expenses should be reimbursed. If the church does not provide an automobile, an automobile allowance should be provided that is at least equal to the annual IRS per mile deduction. Pastors need to submit detailed expense records to the church.
2. **Books and Periodicals** B In order to encourage the continuing education of pastors and to provide literary resources for preaching and teaching, all churches should provide a minimum allowance of at least \$300 annually for the purchase of books and literature. Pastors need to submit detailed expense records to the church.
3. **Other Professional Expenses** B Churches should pay all unreimbursed expenses of pastors attending Conference and Association meetings, as well as all other expenses including stationery, telephone, computer or word processor maintenance, postage and dues for professional organization membership. Pastoral expenses for official entertainment of parishioners or prospective members should be paid by the church.
4. **Reimbursement Plans** B Reimbursement plans have a distinct advantage for ministers in that the money is not taxable as income. Many churches use a reimbursement plan to pay for the pastor's professional expenses described above. Alternatively, a Flexible Spending Account may be set up. Using a written plan that meets the requirements of the income tax regulations, the church may set aside money for additional expenses not covered by health and dental plans, or the pastor may elect to set aside part of his/her salary for this purpose. It may cover eye, dental, drug and any non-covered health expenses for minister or the minister's family.

Reimbursement plans must abide by the following rules:

1. A specific amount of money is set at the beginning of the year
2. The money is paid according to submission of expenses
3. Unused money must remain in the church account

If the money is being set aside from the minister's salary, it is advisable that the estimate at the beginning of the year be low to minimize the risk of having money left unreimbursed at the end of the year.

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Part-time Employment Compensation Guidelines Congregations who call pastors to less than full-time service should use the salary grid on page 3 to determine the recommended minimum salary for full time service for their church and their pastor=s experience and then multiply that salary by the percentage of full-time service worked by the part-time pastor. [Example: A church with 200 members and a parsonage hires a part-time minister with 10 years experience for half-time. The recommended cash salary is \$37,286 (Salary Grid) x (50%) or \$18,643.]

Clergy employed 24 hours or more per week should receive housing and all benefits.

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APPENDIX	
Estimate of Minimum Recommended Salary and Benefits Package for the year 2004-05 Smallest Church, Entry Level	
Item	Base Salary Parsonage Annual Cost
Cash Salary	\$29,996
MINIMUM BENEFITS	
Health Insurance	\$12,643
Pension (14%) (a)	\$5,876
Life Insurance & Disability	\$629
Dental	\$780
OTHER BENEFITS	
Social Security Offset (7.65%)	\$2,983
Equity Fund	\$2,000
Continuing Education	\$1,200
Tenant's Insurance	\$250
EXPENSE REIMBURSEMENT	
Professional Expenses (est.)	\$3,000
Expense Reimbursement (est.)	
ESTIMATED TOTAL COST	\$59,357
 Est. Minimum Church Budget (b)	 \$85,000
(a) Salary Base includes salary (130% if parsonage) and S.S. offset = 41,978	
(b) Assuming that Pastor's compensation package is 70% of entire church budget; for the parsonage situation the costs of owning and maintaining the parsonage need to be added in as well.	
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