

*Central Atlantic Conference  
United Church of Christ*



*June, 1998*

# MINISTER'S COMPENSATION HANDBOOK

## THE HANDBOOK:

### A. 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.*

### B. Distribution

*As this handbook is approved by the delegates to the Annual Meeting of the Conference, each delegate is encouraged to make sure it is further distributed to her/his congregations.*

*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*
- e. potential candidates*

*While understanding that each local church determines its own compensation policy, the handbook assumes that pastors, given their long years of graduate education and the significant responsibilities of parish leadership, will be adequately compensated by churches. Indeed, the handbook supposes that churches will aim to provide pastors with a standard of living relatively free of financial stress and comparable to other professional persons requiring post-graduate degrees. These guidelines are assumed to be minimal standards applicable to churches of every size and location in the Central Atlantic Conference. Churches unable to meet the financial guidelines*

should consider optional benefits or compensation or time commitments.

*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 a pastor to advise the pastor of the concerns of the congregation and to 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.*

*The Central Atlantic Conference Board of Directors has asked each Association to offer assistance in helping church leaders to understand compensation packages for both new and current pastors. Such consultation should enable all churches in the Central Atlantic Conference to work together in implementing these guidelines.*

## The Pastor's Compensation Package

*The pastor's compensation package includes cash salary, housing allowance or provision of a parsonage, and all benefits such as pension, insurance vacation, social security offset, sick leave and sabbatical. The three main components are cash salary, housing, and benefits.*

### I. Cash Salary

*First, it is suggested that all churches give a "cost of living" salary increase to their pastors each year. Merit increase, of course, would be additional.*

*Second, it is desirable that all churches attempt to meet the cash salary grid which is based on the size of the church budget and years of experience in ministry. Experience is not limited to experience in a particular local church. Note that the grid lists the base salary of entrance at each level. To this, one-percent should be added, for each year of ministerial experience. In addition, many factors other than years of experience will need to be considered. Remember: these figures should be compared to salaries offered to other professionals in a given area and increased according to the local economy.*

### **III. BENEFITS**

#### **1. Pension**

*The UCC Annuity Fund, a "tax-sheltered annuity" offering both fixed and variable annuities, is excellent, and every church is strongly encouraged to participate. The minimum level of participation is 14% of the "salary base" (salary base = 130% of basic cash salary plus social security offset if a pastor lives in a parsonage; for a pastor who receives a housing allowance, it is the basic cash salary plus the housing allowance plus social security offset.) Pastors are allowed to make tax sheltered contributions to the same annuity plan within the restrictions of the IRS guidelines. UCC annuity payments are not reported as current income for tax purposes.*

#### **2. Insurance**

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

***A. Health Insurance** - The UCC Health Insurance Program provides medical and dental insurance to pastors and their families. Churches should pay 100% of the premiums for both health and dental insurance.*

***B. The Life Insurance and Disability Income Benefit Plan.** - This Plan provides disability income insurance and decreasing term life insurance and to aid families in case of disability or death. Churches should pay the premium which is 1% of "salary base". In case of disability or death, a local church shall be responsible for three months compensation until the Life Insurance and Disability Income Benefit Plan becomes effective.*

***C. Group Term Life Insurance** - Churches should pay the*

*small premium each year to insure that the church and the pastor's family is protected in case of death.*

*D. Professional Malpractice Insurance - Costing only a small amount, all churches should purchase professional malpractice insurance to protect pastors in the event of a lawsuit due to counseling. Churches insured under the UCC Conference Insurance Program are already covered.*

*E. Tenant's Insurance - Congregations should provide tenant's insurance to pastors who live in a parsonage.*

*3. Physical Examinations:*

*Churches are urged to guard the health of their pastors by paying the cost of periodic physical examinations. After the age of 40, these examinations should be done on an annual basis.*

*4. Vacations and leave of Absence*

*A. Vacation - Parish ministers receive at least four weeks 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 - During periods of temporary illness, salary and benefits normally continue. Benefits of the Life Insurance and Disability Income Benefit Plan begin 90 days following the beginning of a disability.*

*C. Family Leave - At the time of birth or adoption of a child, a woman should be granted a minimum of 8 weeks to 3 months maternity leave at full salary and benefits. A man should be allowed at least two weeks and additional flexibility of schedule to be present and helpful during the early weeks of family adjustment.*

*Minimum Cash Grid: In terms of size of the budget of a church and the length of pastoral experience\**

<i>CHURCH BUDGET</i>	<i>SALARY &amp; PARSONAGE*</i>	<i>SALARY &amp; HOUSING*</i>
315,000 +	53,100	69,000
275-314,000	47,100	61,200
235-274,000	41,650	54,150
195-234,000	36,850	47,900
155-195,000	32,600	42,400
115-154,000	28,850	37,500
60-114,000	25,550	33,200
<60,000		

*\*in addition, ONE-PERCENT SHOULD BE ADDED FOR EACH YEAR OF EXPERIENCE.*

*Third, in terms of minimum cash salaries, it is recommended that Associate Clergy be compensated at a rate of 85%-90% of Senior Pastors for comparable experience and education. The special ministry of a clergy associate should be highly valued and rewarded with equity.*

*Fourth, it is suggested that every church 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 adjusted accordingly.*

*Fifth, part-time ministry should be based on the same salary scale as full-time ministry. Please note the attached appendix as a worksheet guideline.*

## II. HOUSING

*It is desirable that a pastor own his or her own home since home ownership allows for the building of future equity and protection for a pastor's family in case of death. With the sale of a parsonage, many churches can lend pastors money for a down payment on a home, or by renting a parsonage, a church can provide a housing allowance for the pastor. When the pastor owns a home, the church should pay a housing allowance to cover the cost of owning a home; it is recommended that the minimum for a housing allowance be 30% of a pastor's basic salary. Local housing can be the greatest variable in costs from region to region. This particularly should be taken into consideration for high cost housing areas. For a housing allowance to qualify as tax free income, it must be clearly designated in the church budget as "housing allowance" and approved by the official board of the church each year.*

*If a pastor is required or chooses to live in a 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, yard maintenance and basic telephone service) should be provided by the church. Obviously the parsonage should be regarded as the minister's private home. To compensate for the loss of home equity by ministers who live in a parsonage, the church should establish an equity fund. It is recommended that \$2,000 to \$4,000 per year be placed in the fund to be held in trust and given to the pastor at the time that the minister leaves the parish.*

#### 4. Reimbursement Plans

*Reimbursement plans have a distinct advantage for ministers. The money is not taxable.*

*The one type of reimbursement is generally used by churches. It is a reimbursement for professional expenses described above. The other type is the Flexible Spending Account. The church may set aside money for additional expenses not covered by health and dental plans, or the minister may elect to set aside part of his/her salary for this purpose. It may cover eye, dental, drug, and any non-covered expenses for the minister or the family.*

*Reimbursement plans must abide by the following:*

- 1. An 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 is advisable that the estimate be low to minimize the risk of having money left over.*

#### V. Part-Time Employment Guidelines

*Congregations who call pastors to less than full-time service can determine the recommended equivalent base salary using the chart under cash salary by calculating base salary as a percentage of a 50 hour work week. Clergy employed 30 hours or more per week should receive all housing and all benefits. Clergy and lay ministers employed less than 30 hours per week may negotiate for housing and benefits proportionate to the percentage of a full work week. (See appendix)*

## SUMMARY OF COMPENSATION RECOMMENDATIONS

- I. BASIC SALARY - CAC Minimum Guideline
- II. HOUSING - Housing Allowance of at least 30% of cash salary or use of parsonage including utilities.
- III. BENEFITS
  1. Social Security Offset: Allowance of 1/2 of pastor's social security
  2. Pension - 14% of basic salary + Social Security Offset + Housing Allowance
  3. Insurance
    - Health & Dental - 100% of premium
    - Life Insurance and Disability Income Benefit Plan - 1% of salary as computed in #2
    - Group Life and Professional Malpractice
  4. Physical Examinations - annually or as needed
  5. Vacations and Leaves of Absence
    - A. Vacations - 4 weeks annually (plus 8 days off each month)
    - B. Sick Leave/Family Leave
    - C. Continuing Education - at least 2 weeks annually - \$600 annually

*Churches are urged to comply with the intent of the Family Medical Leave Act of 1993 that allows up to 12 weeks for critical needs within the immediate family.*

*D. Continuing Education - Annual leaves of at least two weeks and an annual allowance of \$600 for continuing education should be given to every pastor, and pastors should report the results of such studies to the Pastoral Relations Committee.*

*E. Sabbaticals - It is recommended that every church have in its written contract with the pastor the provision of a three to four month sabbatical every five years with full pay and benefits. The sabbatical should be a time of study, travel or experience of personal renewal for the pastor. Churches will want to plan ahead for the resources to provide ministerial coverage during sabbatical times.*

#### *5. 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 1998 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. Pastor's must report this income for tax purposes.*

#### IV. Professional Expenses:

*A pastor's professional expenses are not part of compensation; professional expenses are costs to the church for providing professional services. Such costs are to be reimbursed.*

##### 1. Automobile:

*Churches may want to consider buying or leasing an automobile for the pastor's professional use. Even so, insurance, gasoline and other expenses will need to be reimbursed. If the church does not provide an automobile, an automobile allowance should be provided that is at least equal to the annual I.R.S. per mile deduction. (In 1998 the rate is 32.5 cents per mile). Ministers need to submit detailed expense records to the church.*

##### 2. Books and Periodicals:

*In order to encourage the continuing education of pastors and provision of literary resources for preaching and teaching, all churches should provide a minimum allowance of at least \$300 annually for ministerial books and literature. Ministers need to submit detailed expense records to the church.*

##### 3. Other Professional Expenses:

*Churches should pay all unreimbursed expenses of pastors attending Conference and Association meetings. Likewise, all other expenses including stationary, telephone, typewriter or word processor maintenance, postage, and professional dues. Expenses for official entertainment of parishioners or prospective members should be absorbed by the church. Ministers need to submit detailed expense records to the church.*

D. Sabbaticals - 3-4 months every 5 year

IV. Reimbursement Plans.

APPENDIX

*We realize that for some churches the grid may seem expensive but when compared to other people with similar educational requirements, such as nurses, teachers, etc. it is not high. And many believe that support for ministers should be more comparable to people with broader responsibilities such as an elementary school principal.*

*If a church does not have the money to provide a minimum salary and benefit package for their minister, they should consider asking the minister to be part-time. This frees the minister to find other sources of income for family support.*

*Based on the minimum package, here are some ways to calculate how to pay a part-time ministry.*

<i>Hours for ministry (week &amp; year)</i>	<i>50</i>	<i>2600</i>
<i>Cost per hour for the minimum package</i>	<i>\$</i>	<i>18.53</i>
<i>Yearly cost for 1/4 time (12.5 hours)</i>		<i>12,043.31</i>
<i>Yearly cost for 1/3 time (16.6 hours)</i>		<i>16,041.69</i>
<i>Yearly cost for 1/2 time (25 hours)</i>		<i>24,086.63</i>
<i>Year cost for 3/4 time (37.5 hours)</i>		<i>36,129.94</i>

*It is helpful for churches to assist part-time ministers by allowing them to decide how their salary and benefits are paid. They may want full health insurance or pension. They may prefer full reimbursement for ministry expenses or for medical expenses. This allows them to save money by using tax laws to their benefit.*

## APPENDIX

### *WHAT IS THE MINIMUM COST FOR PROVIDING FULL-TIME MINISTRY?*

<i>BASE</i>		
<i>Salary</i>	<i>\$25,550.00</i>	
<i>Housing</i>	<i>\$7,665.00</i>	
		<i>\$33,215.00</i>
<i>MINIMUM BENEFITS</i>		
<i>Health Insurance</i>	<i>\$6,054.00</i>	
<i>Pension (14%)</i>	<i>\$4,650.00</i>	
<i>Life Ins &amp; Disability</i>	<i>\$332.00</i>	
<i>Dental</i>	<i>\$522.00</i>	
		<i>\$11,558.00</i>
<i>OTHER BENEFITS</i>		
<i>Soc. Sec. Offset</i>	<i>\$2,541.00</i>	
<i>Group Life Insurance</i>	<i>\$50.00</i>	
<i>Equity Fund</i>	<i>\$2,000.00</i>	
<i>Continuing Education</i>	<i>\$600.00</i>	
		<i>\$5,191.00</i>
<i>EXPENSES</i>		
<i>Reimbursement</i>	<i>\$3,000.00</i>	
<i>Pulpit supply</i>	<i>\$100.00</i>	
		<i>\$3,400.00</i>
<i>SUMMARY</i>		
<i>Minimum package (+expenses)</i>		<i>\$48,173.25</i>
<i>Extended package</i>		<i>\$53,364.20</i>

