

## **2018 Compensation Guidelines for Authorized Ministers in the Indiana-Kentucky Conference -United Church of Christ**

“People who serve as pastors generally do so because they love Christ's Church. Most realize that they could probably earn a higher salary in a for-profit setting, but they feel called to use their faith, talents and abilities to promote the mission of God through the church. The conviction that they are serving the church often makes them reluctant to engage in conversation about compensation. Nevertheless, the church is called to be a fair and just employer. The health of the pastor-parish relationship depends on lay leadership addressing the issue of compensation and advocating and providing for it as well.” ucc.org: Supporting Our Ministry

Every congregation determines the compensation of the clergy based on the realities of the church and its setting. Not every congregation is able to attain the guidelines shared here – now. As with mission so with compensation, if your congregation is not where it could or should be, consider increasing the pastor's salary a percentage or two each year in addition to the cost of living adjustments. Consider:

Most clergy have 3 to 4 years of graduate education above the basic college degree. How does your pastor's salary compare with other professionals in your area with that amount of training?

The 2015 median household income (half above, having below), using data from the US Census Bureau was \$50,532 for Indiana and \$45,215 for Kentucky. This does not include benefits. The 2015 for the whole United States was \$55,775.

We are fortunate to live in states with a low cost of living. While lower than many areas, this is not a reason or justification for salaries that are not commensurate with responsibilities and training. Some believe that the cost of living depends on the area of the Conference. While data is only available for urban areas, it is remarkably close. Those in smaller towns and rural areas are encouraged to compare clergy compensations for other professionals in their areas.

Many congregations are no longer served by full time clergy. When considering part-time or bi-vocational ministry, the compensation should be proportionate to a full time position. Some consider a full-time clergy position to be a professional work week of 45 to 50 hours; others 12 to 15 units, a unit being a morning, afternoon, or evening.

Given changing lifestyles, income of spouses, varying insurance needs and requirements, some congregations are providing a total amount available to the authorized clergy and working with him or her about the allocation. For instance, the spouse has insurance which covers the family and hence it is not needed from the church. Care should be taken about the precedence this sets for the next call.

Further, while this document refers to clergy compensation, attention needs to be paid to all who are compensated for the ministry in which they are engaged: directors of particular programs, secretaries, custodians and musicians.

Many churches find a narrative approach to funding ministry to be helpful with compensation assigned to ministry areas. For instance: the % of the authorized minister's time, and hence compensation, to worship, Christian formation, Outreach, Pastoral Care, Administration, etc.

**Be it resolved that The 54<sup>th</sup> Annual Meeting recommends:**

1. Churches pay **at least a minimum cash salary** according to the following tables for full-time and part-time ministry;
2. Churches provide either:
  - a. A PARSONAGE with a furnishings allowance, all utilities, and an equity development plan which will ensure the pastor has housing assets in retirement; or
  - b. A CASH PACKAGE sufficient to allow the minister to buy, furnish and maintain a median-priced house in the church's community; the minimum cash package shall be no less than 1% per month of the value of a median-priced home in the community; (for example: if a median-priced house in a community is \$150,000, the church's minimum cash package for housing would be \$1,500 per month, or \$18,000 per annum);
3. Full benefits and professional expenses be provided, as listed below; benefits and professional expenses are not to be considered part of the cash salary, but are part of the cost of having an authorized minister;
4. Churches already at or above the minimum and also fully providing all benefits and professional expenses as outlined below give at least a cost of living increase<sup>1</sup> and consider a merit increase also;
5. The work schedule of local pastors be a maximum average of 45-50 hours per week with no more than three evenings in a given week. Pastors should be given at least two full days off each week to practice Sabbath rest for renewal and re-creation.

**MINIMUM CASH SALARY BY MEMBERSHIP**

The cash salary does NOT include housing, benefits, professional, or any other expenses. In calculating years of ordained experience, churches may wish to include other relevant life and work experience. Additional compensation for education above the Master of Divinity level should be 4-7% additional based on the degree earned.

**Full-Time Ministry**

**Number of Church Members**

**Experience in Years**

	0-3	4-9	10-12	13-20	20 Plus
<b>0-150</b>	\$37,675	\$40,088	\$43,054	\$46,024	\$52,740
<b>151-300</b>	\$40,088	\$43,293	\$46,500	\$49,710	\$56,938
<b>301-500</b>	\$43,282	\$46,755	\$50,218	\$53,684	\$61,497
<b>501-1000</b>	\$46,319	\$50,499	\$54,240	\$61,306	\$66,413

**Half-Time Ministry**

**Number of Church Members**

**Experience in Years**

	0-3	9-Apr	12-Oct	13-20	20 Plus
<b>0-150</b>	\$18,837	\$20,044	\$21,527	\$23,012	\$26,370
<b>151-300</b>	\$20,044	\$21,647	\$23,250	\$24,855	\$28,469
<b>301-500</b>	\$21,641	\$23,377	\$25,109	\$26,842	\$30,749
<b>501-1000</b>	\$23,159	\$25,249	\$27,120	\$30,653	\$33,206

## BENEFITS AND PROFESSIONAL EXPENSES

### A. SOCIAL SECURITY ALLOWANCE

Since clergy are treated as self-employed for social security purposes, pastors must pay the current 15.3% on the cash salary **plus** housing allowance or on the cash salary plus the fair market rental value of the parsonage plus utilities. Therefore it is recommended that churches pay to the pastor a social security allowance of 7.65% of the pastor's salary plus housing allowance or, where a parsonage is provided, 7.65% of fair market rental value plus cost of utilities for social security. This is taxable income, which must be reported on a clergy person's tax returns.

### B. BENEFITS

1. **Annuity** - minimum of 14% of base salary plus housing allowance (or minimum of 14% of 130% of base salary if parsonage is provided) paid quarterly to the UCC Pension Board.<sup>1</sup>
2. **Life Insurance and Disability Benefit Plan** (short-term and long-term disability income insurance and decreasing term life insurance through UCC program) - cost is 1.5% of base salary plus housing allowance or, where a parsonage is provided, 130% of base salary.
3. **Health Insurance** There are three health plans (A,B and C) sponsored by the Pension Boards, which vary the premiums and deductibles. 2018 rates will be received in October 2017.
4. **Dental Insurance** available through the UCC Pension Boards. 2018 rates will be received in October 2017
5. **Medical and Dependent Care Flexible Spending** - Pre-tax deductions from salary for medical and dependent care expenses under Section 125 of the IRS Code. (Call the Conference office for details).
6. **Holiday and Vacation Time** - usual holidays (or compensatory time) and 4-6 weeks vacation per year. **When unable to provide salary increases, compensation of additional vacation and/or days off should be seriously considered.**
7. **Continuing Education Time** - 1-2 weeks, including Sundays.
8. **Sabbatical Time and Funds** - strongly recommended every 5 years for a 3 month period.<sup>2</sup>
9. **Sick Time** - up to 30 days per year.<sup>3</sup>
10. **Maternity/Paternity Leave** - 6-8 weeks are recommended.
11. **Family Emergency Leave** - 3-4 weeks recommended.
12. **Collegial Time** - for clergy retreats, ministerial meetings, and support groups. This is not vacation.

### C. PROFESSIONAL COSTS (Not to be understood as part of Pastoral Compensation but more accurately the cost of pastoral activity and support; congregations are urged to list professional expenses as part of other appropriate categories since these are not compensation.)

Tax law allows deduction of business expenses on Schedule A only after the minister has spent more than 2% of family adjusted gross income on such expenses. *THEREFORE*, it is important that a church establish an "Accountable Reimbursement Plan" which will reimburse or pay directly all costs which the pastor incurs for "doing business" for the church, so that the pastor is not paying income tax for church expenses. These should include but not be limited to:

1. **Auto Reimbursement** - for use of personal car at current (\$0.535/mile for 2017) IRS rate plus tolls and parking, or an automobile provided by the church.
2. **Professional Expenses** - all expenses allowed by the IRS.
3. **Continuing Education Allowance** - Clergy are encouraged to participate in Continuing Education. Reimbursements include registration, travel, room and board, materials, etc.
4. **Reimbursement for Criminal Background Checks** - Criminal background checks are required for all pastors. The general practice is for the calling body to reimburse the final candidate for this expense. The current cost is \$160.00.

*For reference, the following is an illustration of what is needed to fund the POSITION of a pastor (salary, housing, AND benefits and professional expenses) for an authorized minister with 12 years experience, serving in a church with up to 150 members:*

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<sup>1</sup> This is the standard formula recommended by the UCC Pension Boards for calculating the annual church contribution to a pastor's annuity. However, in some specific situations where a pastor's compensation package is heavily weighted toward a housing allowance, a tax accountant should be consulted to assure that the annuity payment does not exceed the maximum percent of taxable compensation allowed by the IRS for contribution to a 403(b) tax sheltered annuity

<sup>2</sup> Conference/Association Staff are available for sabbatical planning including information regarding funding sources.

<sup>3</sup> For lengthy illnesses, UCC Disability Plans are available through the UCC Life and Disability Program.

**COMPENSATION: (Illustration A)**

Salary	\$	42,210
Housing Allowance (for those not in a parsonage, \$150,000 house)	\$	18,000
<b>BENEFITS:</b>		
Annuity (salary + housing x 14%) <sup>1</sup>	\$	8,430
Life Insurance and Disability Benefit Plan (salary + housing x 1.5%)	\$	904
Medical/Dental Insurance [Plan A – EE, Spouse/Partner, Child(ren)]	\$	22,671
Social Security Offset (salary + housing x 7.65%) <sup>2</sup>	\$	4,606
<b>PROFESSIONAL COSTS:</b>		
Professional Expenses	\$	1,000
Continuing Education	\$	1,000
Book Allowance	\$	500
Auto Reimbursement (10,000 miles/year @ \$.54/mile for 2016)	\$	5,400
<b>Total needed to fund the position of minister</b>	<b>\$</b>	<b>104,720</b>

**PART TIME PASTORS**

**Part time pastors should be compensated at the same level as full time pastors prorated by the amount of units they work; simply prorate the guidelines by the percentage of time worked i.e. ½ time person would receive 50% of guidelines.**

Many full time pastors are expected to work 12 units a week, **a unit defined as being equal to a full morning, or afternoon, or evening. A full day’s work consisting of working from the morning through the evening would be considered three units: One for the morning, one for the afternoon and another one for the evening.** Churches who cannot afford full time ministry need to discern the number of units they can afford and need. An example might be a congregation needing a pastor to preach on Sunday and call on members two afternoons a week. The Sunday morning units would be one for the morning and two for preparation and sermon writing for a total of three units. In addition, the calling units would be one for each afternoon. All of the units would equal five total units. The cost would be worked out as follows: Using (*Illustration A*) above figure as the full time cost, the cost for an experienced pastor of 12 years would be **\$102,900 divided by 12 units = \$8,727 a unit a year. For this congregation needing 5 units, the yearly cost would be 5 units times \$8,727 or \$43,633 a year. Half time or 6 units would be 6 units times \$8,727 or \$52,362 a year.**

*It is understood that some churches may not be able to meet these guidelines immediately, and may need instead to institute them over a period of 3-5 years. It will be important in these instances to project a cost of living increase for each year and to make the necessary projection of total dollars above where the compensation package is at present. Then simply divide by the number of years it will take to reach the goal, and increase by that figure the annual compensation package over the 3-5 year period.*

In presenting the preceding compensation guidelines, the Committee on Ministry Chairs felt it could not do so with any sense of integrity unless it addressed – to some degree – the wider context of faith and giving in economically challenging times. Since compensation for authorized ministers generally constitutes a significant percentage of a local congregation’s budget **and** because local congregations depend largely on voluntarily given financial commitments, the Chairs strongly feel it must present these guidelines with both a sense of realism and hope. Further, we strongly feel that the proposed compensation guidelines are fair for both authorized ministers and the congregations they serve as we look to the future.

<sup>2</sup>This is taxable income, which must be included with taxable wages on the W-2 form given to the pastor and reported on a clergyperson’s tax returns.

**We make a living by what we earn. We make a life by what we believe.** This is true for both individuals and local congregations. A local church budget is more than an economic tool. It is also a theological statement about what the congregation believes to be important in its life, mission and program priorities. We encourage your congregation to ask themselves these questions: (1) Who are we? (2) Why do we exist as a local church? (3) What are the core beliefs of our congregation? For example, if we were offered \$100,000 dollars to stop practicing our faith, we would say, “No sale!”

**Break the tyranny of silence.** Congregations that are coping well with the challenges of economic uncertainty are those that have been intentional in integrating money-talk and having public conversations on the responsible stewardship of possessions (nearly two-thirds of the Christian Scriptures address these two things) into their preaching, teaching, and educational programming. If your local church has an unwritten, but inviolate, code prohibiting anyone from talking openly about money, you may be in trouble.

**Know your congregation.** To be sure, every congregation is unique. It is also true that age, geography, frequency of participation, and economic situations all affect giving to local churches. Are you aware of the impact these factors are having on your local church? Moreover, how long has it been since your congregation has carefully analyzed its own giving patterns? Where do you find increases and decreases in giving? Does an analysis of giving reveal issues the congregation needs to address?

**Use the giving pyramid to your congregation’s economic advantage.** Over the years, philanthropic institutions and fundraisers have proven that the top 10% of donors to not-for-profits give 60% of the dollars. The next 20% give 20% of the dollars, and the lower 70% give only 20% of the dollars. Some recent research shows that among Christians it is the top 5% of the donors who give 60% of the dollars. Therefore, it may prove to be helpful to evaluate the top 5%-10% of your congregation’s giving for 2015, and their pledges for 2016, for clues as to the outlook for giving in your congregation.

**Tell Stories that illustrate and inspire generosity.** Stories have been the life-blood of our Hebrew/Christian faith. Stories activate both the rational and imaginative parts of our brain. Thomas Jefferson wrote, “When any act of charity or of gratitude is presented either to our senses or imagination, we are deeply impressed with its beauty and feel a strong desire in ourselves of doing charitable and grateful acts also.” Generosity – even in challenging economic times – is contagious. It only takes one example to make it so. Good words from the Good Book: Luke 12:13-34; Matthew 22:15-22; Luke 10: 1-9.

**Embrace the current times of economic recovery as a teachable moment.** Both individuals within congregations and congregations themselves can learn to ask questions that reflect principles of religious stewardship. Ask yourself personally and as a local congregation: How did you come to have what you have? How much is enough? What do you do with your ‘more than enough’? (Nice problem to have). What does it mean to be faithful in the use of your possessions? In other words, do you possess your possessions, or do they possess you? The poet Rainer Rilke wrote, “Dare to live with the questions, and in time you will live your way through to the answers.”

The 53<sup>rd</sup> Annual Meeting of the Indiana-Kentucky Conference of the United Church of Christ, concerned with the growth of its churches and the compensation of its ordained leaders, recommends that all congregations meet the goals as outlined in these guidelines. The guidelines apply to all full-time and part-time authorized ministers, associates and assistants, settled, designated interim and supply.

Because the pastor of a church is required by the Associations of the Indiana-Kentucky Conference, United Church of Christ, to be a highly educated and trained professional, the salary and housing package for pastors should be congruent with the compensation of other similarly trained professionals in the community. The total compensation package could be considered at least equal to that of professionals requiring three or more years of post graduate training such as secondary and middle school principals, engineers and other professionals in administrative positions, showing consideration for years of service, special skills and training, and natural aptitude. The federal tax structure is unique for clergy, and the compensation package should be designed in such a way as to maximize the pastor’s income.

The work schedules and compensation packages of local pastors should be healthy for the pastor and for the church. That would require a balance of time spent in the church’s ministry and time spent with family and friends – a balance of work and recreation, a balance of exercising the body and the mind, a balance of care of others and care for self.

*Some churches, because of their smaller membership and/or financial constraints, may be unable to provide an adequate compensation package for full-time pastoral service. They are encouraged to meet with the Associate Conference Minister to review their situation. They may consider creative options, such as calling a part-time, bi-vocational pastor or sharing a pastor with another congregation in the area in order to combine resources to offer adequate compensation. A congregation should not expect a pastor to work full-time for part-time compensation.*