

**Compensation Guidelines for Authorized Ministers in the
Indiana-Kentucky Conference of the United Church of Christ
DRAFT- 2024**

When a church calls a person to assume responsibility as pastor and teacher, it covenants with that person, with God, and with the wider church to care, to support and to grow in love and faithfulness together. In addition, an annual review of what the Church is doing, and how it compensates those who are its staff members, is an important part of their covenantal relationship.

The Indiana Kentucky Conference of the United Church of Christ, seeking to balance the growth, vitality, and financial sustainability of its churches with the fair and just compensation of its authorized ministers, recommends that all congregations strive to meet the goals as outlined in these Compensation Guidelines. The guidelines apply to all people serving in authorized ministries of the church, including those serving full-time and part-time. It includes pastors who serve as solo, as senior, as co-pastor, or as associate or assistant pastor. It applies to settled, transitional, and designated transitional pastors.

The primary operating principle for these guidelines is fair and just compensation for all authorized ministers and churches. Authorized ministers serving our churches should be able to earn enough income, which includes base salary and housing, to live in the community they serve. This, however, does not obligate congregations to cover the necessary income in its entirety. When a congregation cannot pay its authorized minister according to the guidelines, the pastor's service to the church should be adjusted accordingly to allow them to find other work to supplement their income.

For the pastor: The guiding principle for clergy compensation balances the needs for the clergy to receive compensation that is fair and just with the financial condition of the church. Fair and just compensation should enable the pastor to live in the same community as the church in a manner consistent with the average lifestyle of a member in the congregation. Compensation should reflect the pastor's training, relevant experience both inside and outside of the church, congregation size, and scope of responsibilities.

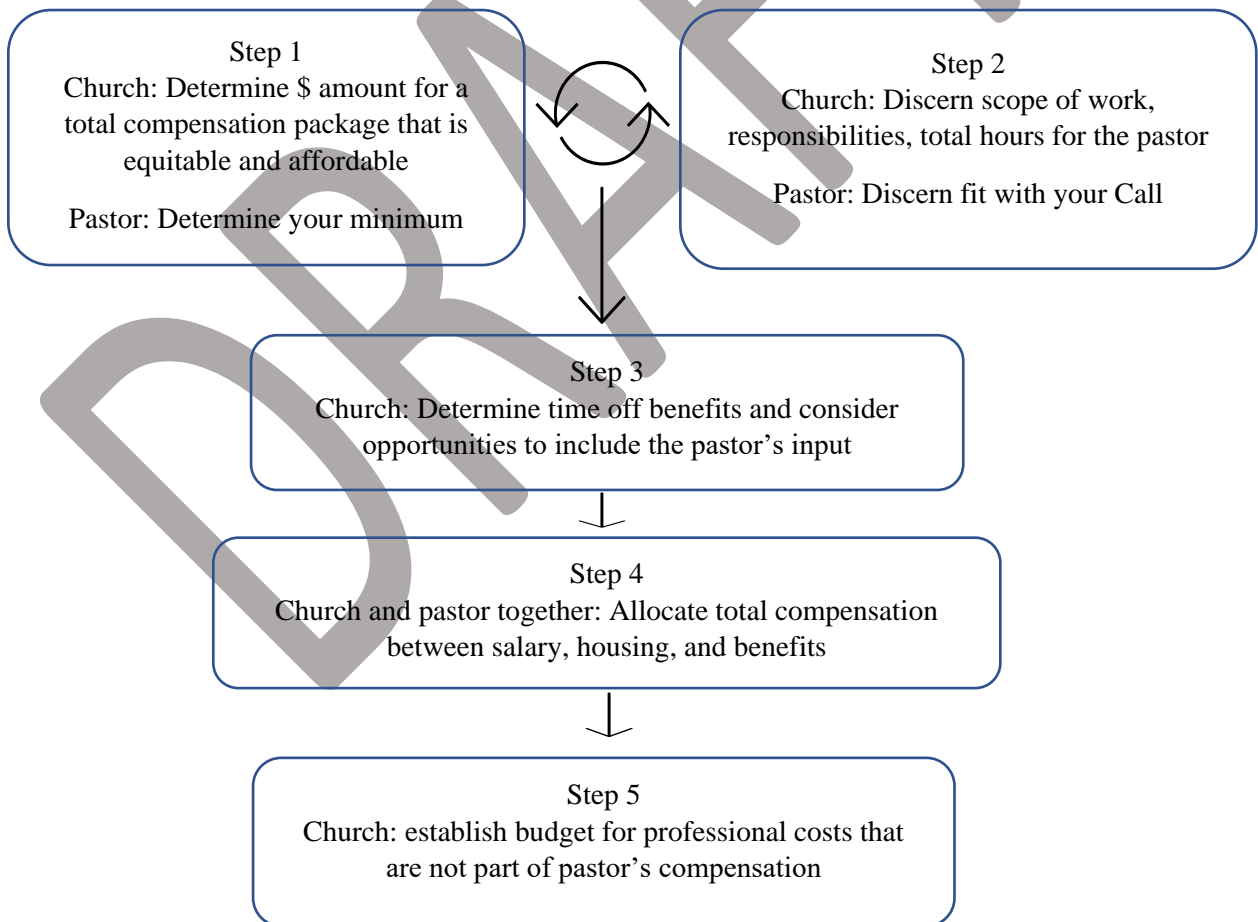
For the church: A congregation should compensate its pastor what it can afford. Furthermore, the compensation should be fair and just. Though a congregation may desire full-time ministry, its financial condition may not allow it. In those cases, a pastor should serve the congregation part-time so that other employment can be found to supplement the pastor's income, in order for the pastor to have a full-time income.

These Clergy Compensation Guidelines are divided into five sections:

1. Determining a total compensation that is equitable to both the clergy and the church. This step includes building a baseline total compensation, evaluating this compensation relative to what the church can afford, and discerning how to balance these priorities.

2. Developing a scope of work, responsibilities, and work hours reflecting the discernment of what the church can afford.
3. Determining time-off benefits. These benefits can be especially important in congregations where the target total compensation is more than the church can afford.
4. Allocating the total compensation to salary, housing, and benefits collaboratively between lay and clergy. In today's environment each situation is unique. Congregations and clergy need to work together to select the most appropriate allocation of pay and benefits.
5. Budgeting for professional costs that are not part of compensation.

The following flow chart illustrates how balancing the financial constraints of the church with the financial and time constraints of the pastor are critical to a successful outcome. When the total compensation package for the scope of work the church desires is more than the church can afford, the church and the pastor must work in covenant to bring the total compensation package and the scope of work in balance.



1. DETERMINING A TOTAL COMPENSATION

The church needs to first build a baseline total compensation, which is based on five components; local median income, benefit costs, church size, and clergy expertise, experience, seniority and scope of work. The clergy compensation worksheet factors all four components to compute a target baseline compensation.

Local median income is a primary component in determining equitable clergy compensation. Minimally, clergy who serve their congregations full-time (40-45 hours per week) should receive the median pay and benefits for the county in which they serve. These guidelines also take into account a congregation's size based upon its worship attendance, a pastor's experience, and the compensation of other clergy serving the congregation.

These guidelines reflect practices consistent with the manner most people in our congregations receive their compensation. In other words, salary, housing, and benefits are not separately determined. Computing baseline compensation this way gives congregations a familiar frame of reference as they discern about what they can afford and what is equitable. It also gives clergy flexibility to structure their total compensation to best serve their individual circumstances. Consequently, the guidelines include benefits in compensation calculations.

If congregations cannot afford the minimum full-time compensation, a pastor should serve the church part-time consistent with the percentage the congregation's budget is of the full-time compensation.

A compensation worksheet is available [HERE](#) to compute equitable baseline compensation. Worksheet instructions are available [HERE](#). An explanation of the worksheet inputs and logic follows:

Given that the pastor should receive fair and just compensation enabling the pastor to live in the same community as the church in a manner consistent with the average parishioner, median household income for that county and city are used from MissionInsite. For more information or help using MissionInsite contact the IKC office. Should the town/city median income exceed the county median income, the town/city income will prevail. Access MissionInsite [HERE](#).

Income, as presented in the MissionInsite median household income, is equivalent to clergy salary plus housing allowance. The worksheet uses this input median income as clergy salary and housing allowance.

For clergy who live in church paid parsonages, the worksheet decreases the clergy salary by 30% to reflect the typical cost of housing being provided by the church.

Benefit costs for company provided benefit packages across many industries are typically an additional 30% of income. We recommend adding 30% to the local median income for all benefits. This is a significant change in how we look at clergy benefits. Our old model had a recommended amount for each benefit, such as pension, insurance, etc. More than ever, every clergy and congregation are unique. Many positions are less than full-time. Many clergy have

spouses and partners who work with benefits. The choices are endless and a fixed list of negotiated benefits is no longer appropriate in many situations. Using a percentage for benefits gives flexibility to both the congregation and the clergy.

The worksheet automatically adds an additional 30% for clergy benefits.

Church Size

Based upon the work of Arlin Rothauge¹, congregations based upon their size fall into one of five categories:

- Family Size Church: Under 75 people in all services throughout the week
- Pastor Size Church: 76-140 people in all services throughout the week
- Transitional Size Church: 141-224 people in all services throughout the week
- Program Size Church: 225-800 people in all services throughout the week
- Resource Size Church: 801+ people in all services throughout the week

The work in a congregation is a function of the congregation's size. As such, the compensation should increase based upon the size of the church. The following table describes the recommended increase above minimum baseline compensation:

Congregation Size	Recommended Increase
Family	No increase
Pastor	11% increase
Transitional	20% increase
Program	28% increase
Resource	35% increase

There is an entry in the worksheet for your church size.

Expertise, Experience, and Seniority

Different factors comprise expertise and experience. Most clearly, authorized ministry experience is a significant factor. Additional factors can include previous secular work that is applicable to pastoral ministry, such as social work, and education and training acquired above a master's degree. This could include a doctorate or CEUs in topics applicable to pastoral ministry. Congregations seeking pastors with expertise and experience should set the compensation package anywhere from 10 – 30% above the minimum baseline as specified based upon congregation size in the above table.

There is an entry in the worksheet for this factor.

¹ https://www.episcopalfoundation.org/uploads/pages/files/Church_Size_Resources_-_101612.pdf

Seniority applies to churches with more than one pastor. If the pastor is the senior pastor, the pastor should receive 20% more than the highest paid associate pastor. If the pastor is a co-pastor, the pastor should receive the same as the other pastor with an adjustment for expertise and experience.

Evaluating the baseline compensation and balancing priorities

The result of the work so far, and completing the worksheet, is a baseline compensation for a full-time clergy.

Some churches will have a budget for the position that is greater than the target baseline compensation. Those churches should discern about their core values and missions, and whether spending more for additional expertise or experience will bring additional value to them.

For other churches, the baseline compensation number for full-time clergy will be more than they can afford. These churches need to enter serious discernment about how they will balance these realities. While there is more to calling a pastor than compensation, equitable clergy compensation needs to be a top priority.

The worksheet includes an entry for the budget for compensation for this position. If the budget is less than the baseline compensation, the worksheet will compute how much of a part-time clergy the church can afford.

These are difficult discussions for a church. But time spent making decisions about balancing equitable compensation and budgets will pay dividends when the church is able to clearly define what they expect and can afford.

2. DEVELOPING A SCOPE OF WORK AND RESPONSIBILITIES

Once the church has set a total compensation and workload that is equitable, the next step is to develop a job description or scope of work that reflects the time the clergy will work with the church.

The MESA Team has created a document *Call Agreement between an Authorized Minister and a Local Church of the United Church of Christ* that describes the time commitment and ministry responsibilities of full-time, three-quarter-time, half-time and quarter-time pastoral positions and how to calculate salary, housing allowance and financial benefits. This document can be found on the Indiana Kentucky Conference website under Resources for Pastoral Search at <https://ikcucc.org/wp-content/uploads/sites/3/2022/02/Call-Agreement-Workbook.pdf>.

A full-time clergy position is a professional work week of 40 to 45 hours or 10 to 12 units, a unit being a morning, afternoon, or evening. Half-time clergy positions are a professional work week of 20-22 hours or 5-6 units. 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. The Sunday units would include one for the leading worship, and two for preparation and sermon writing for a total of three units.

Pastors should not be expected to work for more hours than they are contracted by the church. Pastors who consistently work at the high end of their range or regularly exceed their contracted hours should have their contracts and their scope of work re-evaluated to ensure fairness. A pastor who is overworked and undercompensated can feel resentful, which can negatively affect the ministry.

3. DETERMINING TIME-OFF BENEFITS

Time away from the congregation is an important tool for clergy to maintain balance and remain vital for their congregation. Time-off benefits can also be a powerful tool for congregations who cannot afford an equitable compensation package for full-time clergy. A call is more than just a salary arrangement and some clergy see value in additional time away from work.

Recommended baseline paid time-off benefits include:

- a) **Vacation Time** - 4-6 weeks of vacation per year. When unable to provide salary increases, compensation of additional vacation and/or days off should be seriously considered.
 - b) **Parental Leave** - Parental leave is extended if you and your family experience the birth or adoption of a child. You will receive twelve weeks of paid parental leave so that you can care for self and family. Unused parental leave is forfeited.
 - c) **Compassionate Leave** - In the event of circumstances such as but not limited to the illness of a dependent, the death of a family member, a mental health crisis, or a personal crisis, up to 5 days of compassionate leave per incident, not to exceed 10 days per 12 months of service. Compassionate leave does not accumulate. Compassionate leave is not meant to be utilized as additional vacation time.
- a. **Additional Paid Time Off Benefits – Accruable**
- a) **Sick Leave** - 12 days of sick leave per 12 months of service; sick leave can accumulate up to 30 days over the years of service, though accumulated sick leave is not payable upon termination. Sick leave is not meant to be utilized as additional vacation time.
 - b. **Standard Days Off**
 - a) **Holidays** – The usual holidays enjoyed by the majority of employed persons (including the provision that the pastor will take compensatory time when the holiday falls on a day requiring ministerial work).
 - b) **Days Off** – Two days off per calendar week, as do employees of most other organizations and businesses.
 - c. **Professional Time**
 - a) **Continuing Education Time** - 1-2 weeks, including Sundays.

- b) **Sabbatical Time and Funds** - Every 5 years for a 3-month period.² [Lilly Endowment Inc. Renewal for Pastors](#)
- c) **Collegial Time** - for clergy retreats, ministerial meetings, and support groups. This is not vacation.
- d) **Communities of Practice** – 2 hours every month for collegial support and accountability.

4. ALLOCATING SALARY, HOUSING, AND BENEFITS

By negotiating a total compensation package, congregations and clergy have the flexibility to allocate costs collaboratively to salary, housing, and paid benefits. This individualized approach results in a package that works best for each individual situation without changing the total compensation. Below are some common benefits that churches offer to clergy. Each church and clergy should use this information to customize a package that best fits their situation.

For churches and pastors who plan to use UCC Pension Board annuity or insurance products, be aware that pastors need to be properly enrolled. Some products include a 90-day initial enrollment requirement. The UCC Pension Board is independent of both the UCC and the individual churches. The relevant Pension Board Plan Documents govern enrollment in all UCC Pension Board products. For more information visit <https://www.pbucc.org/index.php/p-b>. Note that there are separate sections for the Medical, Dental and Vision coverages and eligibility rules apply separately to each section.

Housing: Tax laws allow for preferential treatment for pastor housing allowance. Pastors and churches should determine how much of the total compensation package to allocate to housing allowance consistent with IRS regulations.

Social Security Allowance: Clergy are treated like self-employed persons under federal tax laws. Churches are not required to pay the employer's portion of the social security tax, which is currently 7.65%. A common benefit is for the church to pay the employer portion of the social security as additional income. This is taxable income, which must be reported on a clergy person's tax returns.

Cash Based Benefits

- a) **Annuity or Retirement:** A common benefit is for the church to make available, and to make contributions to, the pastor's retirement account at the UCC Pension Board, subject to the requirements of Pension Board for participation. The UCC Pension Board recommends a 14% contribution from the church to the pastor's plan. But the church and the pastor should negotiate a contribution from the total compensation that meets the needs of the pastor.
- b) **Health Insurance:** An important benefit is for the church to participate in, and make available to the pastor, health insurance through the UCC Pension Board health

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

insurance program. While there are other sources for health insurance, access to the UCC Pension Board health insurance gives clergy access to continuous insurance coverage throughout their careers as they change congregations. Pastors who need health insurance may benefit from negotiating that part of their total compensation package be used by the church for Pension Board insurance. Other pastors may not need this benefit because of access to other insurance. Churches should be prepared to work with pastors on alternatives, such as the Health Insurance Marketplace or Medicare Supplement (depending on the pastor's age) when the pastor does not want or is not eligible for UCC Pension Board Insurance. For more information visit [Pension Boards UCC](#).

- c) **Dental & Vision Insurance:** By participating in the UCC Pension Board insurance, churches can make dental & vision insurance available for the clergy through the Pension Board. Pastors may benefit from negotiating that part of their total compensation package be used by the church for UCC Pension Board insurance. Other pastors may not need this benefit because of access to other insurance.
- d) **Medical and Dependent Care Flexible Spending:** By participating in the UCC Pension Board insurance, churches can make flexible spending accounts available for the clergy through the Pension Board. This benefit does not cost the church anything so does not impact the total compensation package but can offer tax advantages to the pastor. Get information at [The Pension Boards UCC](#).
- e) **Life & Disability Insurance:** By participating in the UCC Pension Board insurance, churches can make life & disability insurance available for the clergy through the UCC Pension Board. Pastors may benefit from negotiating that part of their total compensation package be used by the church for UCC Pension Board insurance. Other pastors may not need this benefit because of access to other insurance.
- f) **Other paid benefits:** The number of potential paid benefits is only limited by the creativity and needs of the pastor. Since paid benefits are taken from the negotiated total compensation package, there is no cost impact to the church. The church and pastor should work in covenant to structure benefits that are unique to each situation. Ideas such as paid tuition, extra pension contributions or any other idea can be desired and beneficial to the pastor, without any incremental cost to the congregation.
- g) **Salary:** Once all paid benefits are subtracted from the total compensation package, the remainder is the pastor salary. This allocation process is done in collaboration between the pastor and the church to insure that the pastor has what they determine is enough income after allocating their total compensation package to various paid benefits.

5. BUDGETING FOR PROFESSIONAL COSTS NOT PART OF COMPENSATION

There are church expenses that are not 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 reimbursable 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 IRS rate plus tolls and parking, or an automobile provided by the church. IRS Standard Mileage Rates
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. This could be up to \$175.00.
5. **Technology and Equipment:** Clergy need technology and equipment to serve a congregation. This may include computers, printers, office furniture or equipment, internet connectivity, cell phones, or other consumables such as paper and ink. This may also need to include accommodations for a disability. These should be negotiated as part of any employment agreement and revisited on a regular basis.

PART-TIME PASTOR

When a congregation cannot pay for full-time ministry with the above guidelines, it can enter an agreement with a pastor for part-time ministry position. A part-time clergy compensation package should contain most of the components of a full-time package, although including insurance for healthcare, dental and vision, may not be possible in small part-time compensation packages. Allocating the components of the package remains the same as for a full-time package. When a congregation cannot pay a full-time package, the number of hours should be such that a pastor can readily earn supplemental income to achieve full-time earnings.

TRANSITIONAL/INTERIM PASTOR

Transitional Minister/Interims are compensated at the same rate as Settled Clergy.

SUPPLY PASTOR

Supply pastors are those that fill in at a church when the settled pastor is away (vacation, illness, continuing education, sabbatical leave, etc.) or if the church is in transition. Supply pastors are paid a flat rate for each service and travel expenses.

Task Rates:

Preparing and Leading Worship \$150 - \$200

Hourly rate for tasks \$32.00 - \$40.00

The number of hours can vary up to eight hours a week. The pastor should only receive compensation for actual work plus documented mileage at the current IRS rate. Furthermore, the pastor should provide documentation, such as a timesheet, as a record for the church. Including benefits for less than half-time ministry is optional.

HELPFUL LINKS

Annual Cost of Living Adjustments	https://www.ssa.gov/cola/
Background Check – Oxford Document Company	https://www.oxforddoc.com/
Call Agreement Workbook:	https://www.uccresources.com/products/call-agreement-workbook?variant=17676055492
Call Agreement between an Authorized Minister and a Local Church of the United Church of Christ	http://ikcucc.org/connect/resources/
Cost of Living Historical Data	https://www.ssa.gov/oact/cola/colaseries.html
Ernst & Young Financial Planning Services	https://www.pbucc.org/index.php/ey-financial-planning-services
Health Insurance Rate Locator	https://www.pbucc.org/index.php/rate-locator
Housing Allowance Resources	https://www.churchlawcenter.com/church-law/understanding-the-clergy-housing-allowance/ https://www.clergysupport.com/tax/legitimate-housing-expenses/
The Pension Board – UCC	www.pbucc.org

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