

Compensation for Authorized Ministers of the Indiana Kentucky Conference of the United Church of Christ

The 2026 Guide to Covenant between Congregation and Pastor

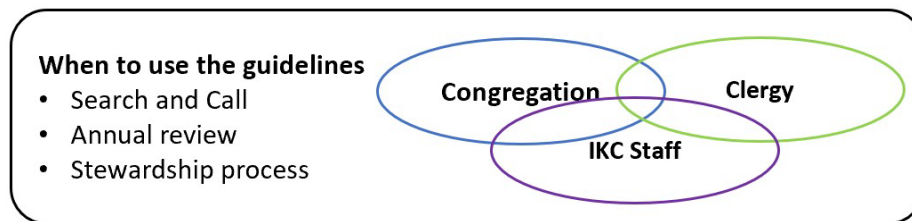
The Indiana Kentucky Conference of the United Church of Christ (IKC) has developed this guidance for congregations to establish a total compensation package for their called Authorized Ministers. Throughout this guidance, Authorized Ministers may be referred to as ministers, clergy, and/or pastors without distinction between the terms.

The intent of this guidance is to establish an equitable minimum total compensation package (TCP) (salary + benefits) for congregations to offer to their pastors. In addition, the guidance is meant to encourage congregations to recognize that a more generous compensation package is often appropriate and can be a means of nurturing the covenant between congregation and pastor.

The guidance addresses the foundations of a minimum equitable total compensation which are Faith, Finances, and Time. Additionally, the guidance includes worksheets to define a minimum financial compensation package.

How to Use this Guide - Who Does What

This guideline is written with the intent that congregations, clergy, and IKC staff will work in covenant with one another any time guidance is needed for the establishment, maintenance, or adjustment of the compensation offered by a congregation to their pastor. This may include during Search and Call, an annual review by a congregation and their pastor, or during a congregation's stewardship process, including the budget planning process. The extent of involvement for IKC staff with any one congregation or with any clergy will vary depending on the needs of that congregation and clergy.

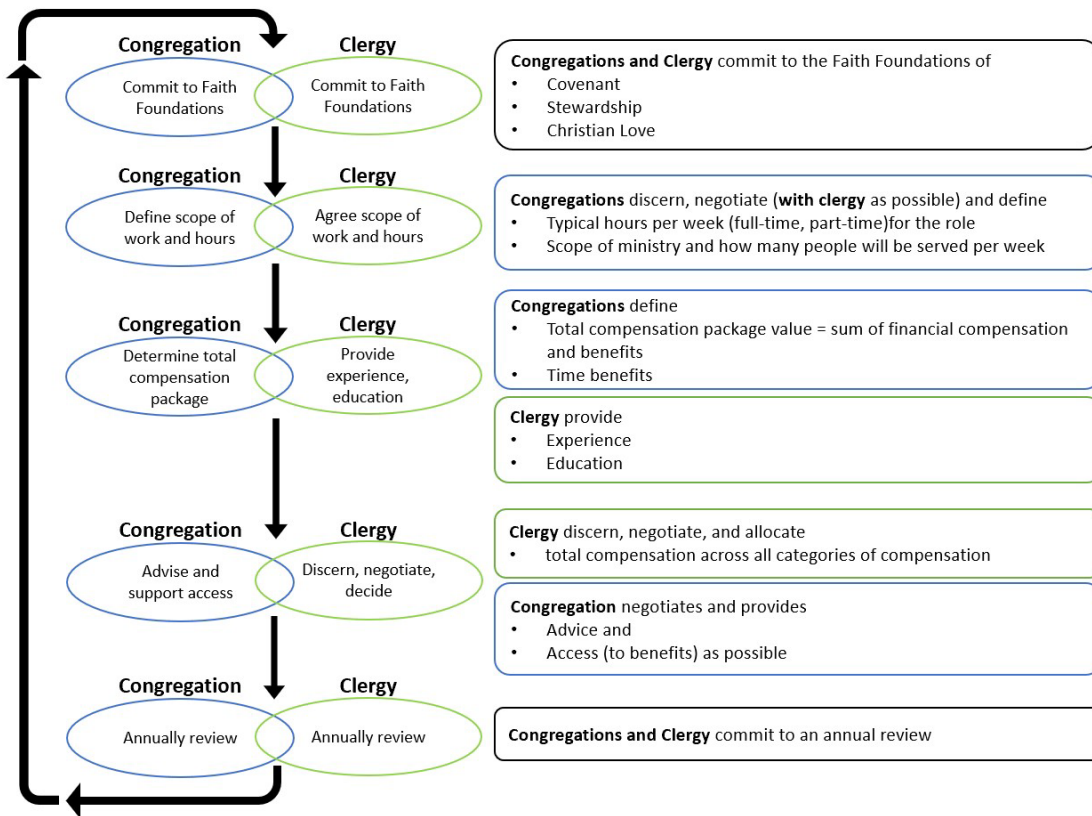


In all situations, congregations and clergy are encouraged to establish a dialog and to covenant together on both the building of a total compensation package and how to allocate the financial elements of the compensation in a manner that best serves the covenantal and mutual interests of the congregation and clergy.

The total compensation package needs to be reviewed by both congregation and clergy on an annual basis and, as part of the covenantal relationship, adjusted as needed to ensure the faith foundations for compensation continue to be met.

Meeting the minimum expectations of the guideline is likely to increase the ability of a congregation to attract and retain a well-qualified clergy.

Congregations and Clergy can use this guide by following the process as depicted below. Details for each step of the process are provided later in the guide. IKC staff is available to support both congregation and clergy at any step of the process. The role of IKC staff specifically during the Search and Call process is described in the following paragraph.



IKC staff will use this guideline to assist a congregation during the Search and Call process to help establish the foundations of what a congregation expects to offer an incoming pastor with regard to

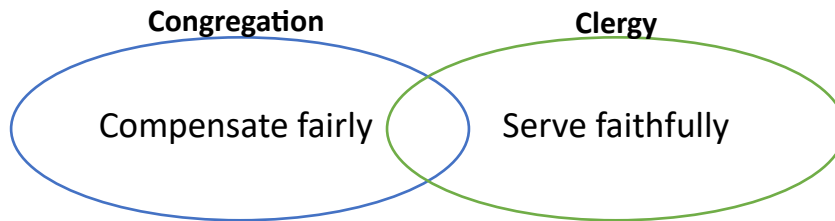
- Financial compensation (salary (includes housing) + benefits (including insurance and retirement)) and how these fits with the anticipated scope of work
- Time-off benefits
- Additional considerations (such as disability and death benefits, and professional expenses)

Once these items have been determined they will be included in the congregation's Local Church Profile and Call Agreement with their new pastor. The UCC's Local Church Profile website includes a question as to whether the congregation is following Conference Compensation Guidelines for their new pastor. The Conference staff will work with the Search Team to determine if the congregation's profile meets Conference guidelines for clergy compensation. IKC staff will determine that a congregation has met the guidelines when that congregation is willing to offer and/or is already compensating their pastor(s) in the following manner:

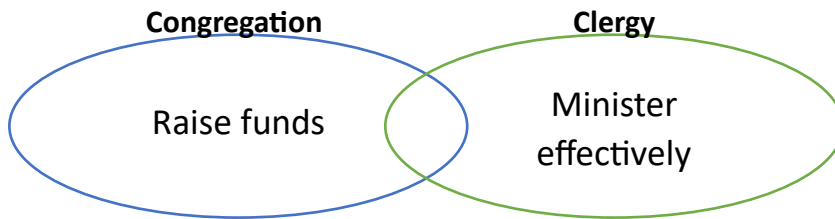
- 1) The total compensation package is at least (and might be more than) the amount determined using the Total Compensation Package worksheet (which also takes into account whether the pastor is full-time or part-time). See Financial Foundations section.
- 2) The time benefits foundations are met or committed to for the pastoral position (these may be prorated for part-time positions). See Time Benefits section.
- 3) The additional considerations are met or committed to for the pastoral position. See Additional Considerations section.

Faith Foundations for Congregations and Clergy regarding Clergy Compensation

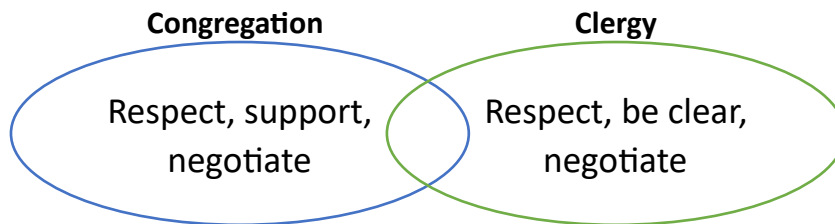
Covenant – We are a church based in covenant. When a church calls a pastor, it covenants to compensate fairly, and the pastor covenants to serve faithfully. Covenants should reflect the very best practices, and rely on the best efforts of all parties, to ensure that compensation is both responsible and responsive to the ministry of Christ's church and the people who lead and empower it.



Stewardship – We are accountable for the wise use of the church's resources; therefore the church should be an intentional steward in the raising and the expenditure of funds, and the pastor should be an intentional steward in the use and renewal of his/her/their life in ministry.



Christian Love – Because the connection between pastor and people is a sacred trust, open, caring, healthy relationships are essential for the well-being of the local church. Salary and benefits negotiations, new and annual, should be carried out with candor and clarity, and with loving, supportive, mutual respect.



Financial Foundations for a Total Compensation Package

To meet Conference guidelines, a total compensation package covers financial needs for:

- Salary + Housing (salary reflects scope of work, education, experience; housing that can meet standard middle-class housing)
- Paying the typical employer Social Security/Medicare offset (aka FICA offset)
- Procuring Insurance (health, life, disability)

- Contributing towards retirement (pension, Individual Retirement Account (IRA), or other retirement savings program)

The IKC has established these guidelines as the minimum of what an equitable compensation package must contain for clergy serving a congregation. These guidelines indicate the specifics of what must be met in order to determine that a congregation meets Conference Guidelines.

The IKC also recognizes that some congregations may be willing and able to offer compensation that is more generous than the minimums described here. Congregations are strongly encouraged to demonstrate generosity not only in spirit but also in their finances as they compensate their pastors. Examples of reasons to offer a more generous compensation include a situation where the scope of work of the pastor is significantly broader or deeper than what might be considered average or the congregation has significantly more than 200 as their weekly pastoral engagement. This might include highly structured mission work, significant programming, advocacy or activism on behalf of the congregation, other external relationships/partnerships requiring significant competence and/or effort, or a D. Min., Ph.D. or other relevant degrees.

Congregations are responsible to discern and define the financial support they will commit to raise and spend on an annual basis to support the call of a clergy person. An equitable total compensation package must include finances to cover salary, housing, Social Security/Medicare offset, and benefits, including insurance and retirement contributions, which applies to all types of pastors as described in the *Call Agreement Workbook*, including part-time and full-time pastors.

If a congregation is unable to financially support the minimum of this guideline, they are encouraged to engage with their pastor, and with IKC staff about how to honor the covenant between congregation and pastor in ways that work for both the congregation and the pastor.

Clergy are responsible to understand their own financial needs, both in terms of salary and housing, as well as their other benefits. Clergy are expected to discern and define how best to allocate a total compensation package according to their personal needs. This includes defining the allocation for a housing allowance, as well as how much of the total compensation package to allocate to insurance and retirement funding.

Congregations Define the Total Compensation Package

Congregations can use the IKC Financial Compensation Worksheet and formulas to determine the financial compensation for their clergy. Congregations offering a parsonage can adjust the financial compensation with the IKC Parsonage Adjustment Worksheet. The tables below (Financial Compensation Table for all congregations and Financial Compensation Parsonage Adjustment Table for congregations that also have a parsonage) indicates the factors to consider and the minimum levels expected to meet the IKC guideline. The tables and worksheets are

applicable to both full- and part-time calls. Explanation for each factor named in the Financial Compensation Table is offered in Appendix A. Explanation for each factor named in the Financial Compensation Parsonage Adjustment Table is offered in Appendix B. Advice to clergy for how to allocate their total compensation package is in Appendix C.

The Financial Compensation Worksheet will determine an effective hourly rate for the annual total compensation package. This approach **does NOT** imply or encourage congregations to pay clergy on an hourly basis. Congregations will need to determine the typical number of hours per week for the call (e.g. 20-25 hours for half-time; 40-45 hours for full-time). Congregations are expected to determine an annual total compensation package and to call clergy as professionals with a set or salaried compensation unless the congregation and clergy agree to something different.

Congregations are strongly encouraged to consider the various ways it is appropriate for them to be more generous than the minimums provided in the Financial Compensation Table.

Multi-staff churches will need to run the worksheet for each pastoral staff member separately to determine how to best determine equitable compensation based on scope of work, weekly hours, and community engagement.

Parsonage: If the congregation owns and will be providing a parsonage, the congregation can reduce the financial compensation to the pastor based on the Total Annual Parsonage Value. Although a pastor may benefit by not needing to pay for their housing, a pastor does incur a loss of the equity that they may otherwise have gained if they were paying to own their own home. To account for this loss of equity, this guideline sets an expectation to offer pastors living in a parsonage a Housing Equity Payment annually and equal to 5% of the pastor’s Total Annual Compensation.

Congregations with a parsonage will begin by using the IKC Financial Compensation Worksheet. They will transfer the Annual Total Compensation to the IKC Parsonage Adjustment Worksheet which will also be used to collect information about the out-of-pocket cost of the parsonage to the congregation, and the value to the pastor. The congregation and pastor should discern together to determine a fair value for the provided parsonage. The IKC Parsonage Adjustment worksheet will determine the adjusted Annual Total Compensation for the congregation and pastor.

Financial Compensation Table

Factor to consider	Minimum to meet guideline	
Base Hourly Rate	\$28.00	
Experience Modifier	Add 1%/year up to 30 years	
	1-50	Add 0%

Weekly pastoral engagement = total church participants + community engagement	51-100	Add 10%
	101-200	Add 20%
	201+	Add 30%
Salary Basis Hourly Rate*	Sum of Base Hourly Rate and additions for experience and/or education, weekly pastoral engagement	
Benefits (Insurance + Retirement)	30% of the Salary Basis Hourly Rate	
Social Security/Medicare Offset	7.65% of the Salary Basis Hourly Rate	
Total Compensation Hourly Rate	Hourly rate based on the sum of the Salary Basis Hourly Rate, Benefits, and Social Security/Medicare Offset	
Weekly Hours	Typical hours per week	
Total Annual Compensation	Sum of the Salary, Benefits, and Social Security/Medicare Offset	

*The Salary Basis Hourly Rate will be used to determine the **Annual Salary Basis** as described in Appendix A.

Financial Compensation Parsonage Adjustment Table

Factor to consider	Minimum to meet guideline
Total Annual Compensation	As determined from the Financial Compensation Table and Worksheet
Total Annual Parsonage Value	Determined from the fair market rent, annual utility, and lawn care/snow removal costs
Housing Equity Payment	5% of the Total Annual Compensation
Total Annual Compensation for Congregations/Clergy with a Parsonage	Adjusted sum of the Salary, Benefits, and Social Security/Medicare Offset

Time Foundations for a Total Compensation Package

Congregations are expected to covenant with their pastor to set time expectations (typically expressed as either hours per week or units of work per week) for the pastor's call. Additionally, congregations are expected to covenant with their pastor to allow time off from serving the congregation for various reasons as outlined below.

Congregations are encouraged to consider how to be generous in providing for a pastor's time off beyond what is given below as the minimum expectations.

Work Week – The congregation and pastor are to agree on a typical weekly schedule. A typical work week for a full-time pastor is 40-45 hours; the typical work week for a part-time pastor is 20-24 hours; the typical work week for a quarter-time pastor is 10-12 hours.

Time-off Benefits – the congregation and the pastor are to agree to time-off benefits. The time-off benefits listed below are applicable to full-time pastors unless otherwise described for parttime calls. The benefits may be pro-rated for part-time positions (unless otherwise noted) and still be considered as meeting the IKC guidelines.

- **Standard days off** - Two days off per calendar week.
- **Holidays** - 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).
- **Vacation** – 4 weeks of paid vacation time during each 12 months of service for full and part-time calls, including four Sundays, with a week representing the agreed-upon work week for part-time calls. Vacation time does not accrue from year to year.
- **Parental Leave** – 12 weeks of paid parental leave for either the birth or adoption of a child, for full and part-time calls, with a week representing the agreed-upon work week for part-time calls. Unused parental leave is forfeited.
- **Compassionate Leave** - up to 5 days of paid leave per incident, not to exceed 10 days per 12 months of service to attend to 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. Compassionate leave time does not accrue from year to year and may be pro-rated for part-time.
- **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. May be pro-rated for part-time.
- **Continuing education** – 1 week, including a Sunday, for both full-time and part-time positions.
- **Collegial Time** – as negotiated for clergy retreats, ministerial meetings, and support groups.
- **Sabbatical leave** – 3 months paid after 5 years of full-time or part-time service with the congregation.

Additional Considerations for Congregations

Short-term Disability, Workers Compensation, and Death – congregations are expected to consult the *UCC Call Agreement Workbook* and as possible, commit to the typical benefits as described for short-term disability, workers compensation, and death of the pastor.

Professional expenses – are NOT a part of Clergy Compensation and can negatively affect the income a pastor has available if the pastor is expected to pay-out-of-pocket for their own

professional expenses. Congregations are expected to plan for direct payment and/or provide reimbursement for the cost of pastoral activity and support including but not limited to:

- **Mileage Reimbursement** - for use of a personal car at current IRS rate plus tolls and parking, or an automobile provided by the church. [IRS Standard Mileage Rates](#)
- **Professional Expenses** - all expenses allowed by the IRS.
- **Continuing Education Allowance** - Clergy are encouraged to participate in Continuing Education. Reimbursements include registration, travel, room and board, materials, etc.
- **Reimbursement for Criminal Background Checks** - Criminal background checks are required for all pastors. The general practice is for the calling body to reimburse the called candidate for this expense.
- **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.

Annual Review of Total Compensation – the faith foundations of compensation include an expectation that conversations about compensation do not end with the completion of the Call Agreement. Congregations are expected to commit to doing an annual review with their clergy.

The review process may result in changes to the pastor’s scope of work, compensation, and/or benefits (financial and time-off) and these changes need to be included in the congregation’s stewardship and governance processes.

For financial compensation, on an annual basis, each congregation should update the variables in the compensation worksheet:

- The current base rate should be updated with the current IKC approved rate.
- An additional year of experience should be added for the clergy.
- The church size modifier should be adjusted for significant church growth or loss.
- Clergy work hours should be reviewed and adjusted as necessary.

- The congregation should also review if additional changes are required for new advanced degrees, new significant experience, or clergy performance that the church feels deserves compensation recognition.

Congregations should include this reviewed total compensation as part of their annual stewardship and budgeting. If circumstances for the congregation are such that the congregation cannot support this compensation, congregations should consider reducing clergy hours, or work in covenant with clergy to balance pastor compensation with increases in other non-cost benefits such as additional time off or reduced work hours. The IKC staff is available to work with any congregation and their pastor during any part of the process.

Appendix A

Financial Compensation Factors – all Congregations and Authorized Ministers

The factors to be considered in the Financial Compensation Worksheet are described below.

Base hourly rate: The minimum base hourly rate assumes the following:

- Pastor is an Authorized Minister of the UCC
- Pastor has a Master's of Divinity degree or equivalent education or experience
- Pastor does not yet have relevant experience that merits additional compensation
- Comparable to pay for similar professionals in Indiana and Kentucky
- Pastors will be paid a wage that allows them to live in standard middle class housing in the community where they serve
- Replaces what has previously been the minimum cash salary AND housing allowance.

Note: After a financial compensation package is agreed, pastors have the responsibility to designate a portion of their compensation as a housing allowance and will work with the congregation to ensure that all legal requirements are met for this tax-advantaged portion of their compensation.

The base hourly rate is researched by members of the IKC staff, Board, or anyone designated by the Conference Minister or Board and is recommended to the Conference as part of the guidelines to be approved by the Conference. The base hourly rate will therefore be approved by vote of the Conference at the biennial business meeting. If the IKC staff, Board, or anyone designated by the Conference Minister or Board recommends an adjustment to the hourly rate in a year when no business meeting of the Conference occurs, the adjustment may be recommended to and approved by the IKC Board of Directors in accordance with the IKC's Constitution and Bylaws for approving matters outside of a duly called business meeting.

The base hourly rate is modified to determine a position-specific hourly rate based on the following factors:

Experience: The minimum that must be met for these guidelines include increasing the base hourly rate to value the experience a clergy person brings to a congregation based on:

- 1% increase for every year of experience up to 30 years
- Any type of pastoral position (part-time, full-time, settled, interim, etc.)

Experienced clergy are more likely to effectively and efficiently serve a congregation and can bring ministerial methods and an understanding of theology to a church that inexperienced clergy have not yet developed, and as such, the guidelines require increased pay for the increased experience. The experience may have come from prior pastoral experience or it may have come from other life and professional experiences.

Additional increases in compensation for experience beyond the years of pastoral experience are encouraged as a way to demonstrate generosity and gratitude for the whole self a clergy will give to a congregation. Additional education, such as having other relevant Master or Doctoral degrees are also part of the experience and qualifications that a pastor might have that increases their ability to effectively serve. Congregations are encouraged to consider a more generous compensation package when a pastor has additional qualifications.

Weekly Pastoral Engagement: This factor replaces what has been named as “number of church members” in guidelines applicable up through 2024. Weekly Pastoral Engagement is defined as Total Church Participants per week plus Community Engagement per week (using definitions and terminology from the National UCC as of 2024). The purpose of this factor is to ensure that pastors are adequately compensated for the scope of work when their ministry is extended to larger numbers of people, and/or is expected to involve increased complexity and/or relationships.

Total Church Participants = Active Members + Active Non-Members (The total number of individuals, of any age, who participated regularly in worship, programs, or other church activities or groups within the past year; includes both active members and non-members.) This should be expressed as per week.

Community Engagement = those who were served/impacted by your congregation, expressed on a per week basis.

Take care to **not** count people involved in multiple ways more than once. This means that no one in the Community Engagement category should be reported in the Total Church Participants category and vice versa. In addition, do **not** count an individual twice in the same reporting category.

The descriptors from the National UCC are repeated here in italics for ease of use. Nonitalicized text has been added by the IKC:

The Total Church Participants category might include the following (those who actively participated in ministries of your congregation in the last year):

- *People who attended worship services regularly (both members and non-members)*
- *Regular participants in any on-going programs or activities of your congregation (AND who are not regular worship attendees) including:*
 - *Affinity groups (women’s groups, youth/young adult groups, parenting groups, men’s groups, singles’ groups, etc.)*
 - *Other small groups and Bible studies* ○ *Committees, teams, or councils* ○ *Sunday School or Christian Education/Faith Formation programs* ○ *Regular weeknight programs for families* ○ *Choir/music program participants*

- *Regular volunteers or leaders (AND who are not already counted in the above bullet points) of specific events, fundraisers, or programs including:*
 - *Sunday School teachers and volunteer nursery attendants*
 - *Volunteers to assist with coordination of annual events such as a fall harvest festival, “trunk or treat” event, chili cook-off, or community pancake breakfast*
 - *Volunteers for the coordination of the annual stewardship campaign*
- *Individuals who look to the church and its minister(s) for current and future pastoral needs (such as hospital and nursing home visitations, funerals, weddings, and baptisms) (AND who are not already counted in the above bullet points)*
 - *Members and non-members who reside in nursing homes and cannot attend worship or events but are connected with the church*
 - *Families related with the congregation (may or may not be members) who rely on the church as their main pastoral support for times of joy and crisis (hospital visits, hosting and performing weddings, and hosting and performing funerals)*

The Community Engagement category might include the following (those who were served/impacted by your congregation in the last year) (DO NOT COUNT people already counted in the Total Church Participant category and DO NOT COUNT people more than once in this category):

- *People (adults and children) served by the daycare center in your church building (whether owned by the congregation or just renting building space)*
- *People (children and youth) who attended your church’s Vacation Bible School*
- *People served at a homeless shelter or food pantry hosted in your church building*
- *People who attend scout troops, AA meetings, or other social or civic programs on a regular basis*
- *People who receive scarves, blankets, prayer shawls, or other items crafted by church fellowships or guilds*
- *People who benefit from volunteer ministries of your congregation within nursing homes, assisted living facilities, children’s homes, etc.*
- *Children and youth who benefit from after-school programs at your church*
- *People who attend interfaith or special holiday services hosted by your congregation*
- *People who are served by the church through pre-marital counseling and/or single event (one time only) ceremonies such as weddings and funerals (who are nonmembers with no connection to the congregation)*
- *People who attend (but did not volunteer to coordinate/lead) community-wide events hosted by your church*
- *People who attend (but did not volunteer to coordinate/lead) fundraising events such as craft/gift fairs, yard sales, dinners, concerts, car washes, etc. from the wider community.*

Salary Basis Hourly Rate: Is the hourly rate as calculated by adding the sum of the Base hourly rate, additions for education and experience, and additions for the Weekly Pastoral Engagement.

Annual Salary Basis: The Annual Salary Basis is calculated by multiplying the Salary Basis Hourly Rate by the number of hours the pastor will be compensated annually. For example, a full-time pastor will typically be

compensated for 2,080 hours per year (40 hours/week * 52 weeks). A half-time pastor (20 hours per week) will be compensated for 1,040 hours per year.

Benefits: The minimum any clergy must receive as part of their compensation per these guidelines is 30% of the Salary Basis Hourly Rate (the annual amount can be calculated as 30% of the Annual Salary Basis). The clergy will work with the congregation (to determine how to allocate their total compensation package between salary and benefits. The benefits all clergy typically need to access, whether through the church or through other venues, include insurance (health (medical, dental, vision), life, and disability), and retirement funding (pension, IRA, or other retirement savings programs). The congregation is expected to offer a minimum financial compensation to cover benefits consistent with what the majority of people receive from employers.

These guidelines do not require specific percents of a pastor's Annual Salary Basis be paid for insurance and retirement benefits as was the case in guidelines up through 2024. These guidelines also do not require procurement of insurance or funding of retirement through any specific organization. Advice to clergy is offered in Appendix C.

Congregations are encouraged to consider how best to support a pastor's whole life circumstances with regard to offering benefits. This may mean offering additional compensation to aid in procuring benefits such as health insurance (medical, dental, and vision) for all eligible family members, as well as considering how best to support a pastor's ability to fund their eventual retirement and procurement of life and disability insurance.

Social Security and Medicare Offset: The United States tax code requires payment per the Federal Insurance Contributions Act (FICA) into Social Security and Medicare for workers. Clergy are classified in the tax code as self-employed individuals, and as such are required to pay the full 15.3% of their taxable income for these programs. Congregations are expected, in order to meet these guidelines, to offer an offset of 7.65% of the pastor's Annual Salary Basis to the pastor. This is consistent with what most employers offer their employees.

Total Compensation Hourly Rate: the sum of the Salary Hourly Rate with the additions of the Benefits (30% of the Salary Hourly Rate) and the Social Security/Medicare Offset (7.65% of the Salary Hourly Rate).

Weekly Hours: this is the typical number of hours the pastor is expected to work each week.

Total Annual Compensation: is the sum of the Annual Salary Basis, Benefits, and Social Security/Medicare Offset.

Appendix B

Financial Compensation Factors – Congregations and Authorized Ministers with a Parsonage

Some congregations provide a parsonage or other housing to their pastor. The IKC recognizes that each parsonage situation is unique and that the provided housing may range from being unfurnished to furnished, may or may not include payment of utilities, and may or may not include other benefits such as maintenance, lawn care or snow removal. The factors that need to be considered when adjusting the total annual compensation when a parsonage is involved in the compensation are described below.

Total Annual Compensation: is the total annual dollar amount determined using the Financial Compensation Worksheet for All Congregations and Authorized Ministers and is described in Appendix A.

Total Annual Parsonage Value: this is calculated from a monthly value. The monthly value is the sum of:

- 1) Monthly fair market rent. This is best determined through a local understanding of the market where the parsonage is located. Congregations may wish to consult with local realtors, consider the tax-assessed value, and/or on-line resources for estimating the value of the property such as Zillow.com or Redfin.com.
- 2) Monthly utility costs if they are provided by the congregation.
- 3) An average monthly amount for maintenance, lawn care, and/or snow removal if provided by the congregation.

Housing Equity Payment: is 5% of the Total Annual Compensation. This payment from the congregation to the pastor is intended to offset the loss of equity that a pastor would otherwise have gained if they purchased their own home.

Total Annual Compensation for Congregations/Clergy with a Parsonage: is the Total Annual Compensation adjusted for the situation where a congregation provides their pastor with a parsonage.

Appendix C

Advice to Authorized Ministers on Allocating the Financial Elements of a Compensation Package

Pastor Allocation of Compensation

Once a total compensation package dollar amount is established by the Congregation and agreed to as part of a Call Agreement, the pastor needs to allocate the total package according to their financial needs. This allocation needs to be reviewed and updated on an annual basis. The Congregation is expected to support the pastor to implement the desired allocation.

Pastors are strongly encouraged to consult financial and/or legal advisors qualified to understand the unique tax codes applicable specifically to clergy. Pastors are also strongly encouraged to consult relevant resources to improve their understanding of the variety of insurance options and retirement fund options available to them. The UCC Pension Board offers resources to assist pastors in understanding and managing their finances. (<https://pbucc.org/>) **Factors to consider:**

Cash Salary: The Cash Salary will be the remainder of the total compensation package after subtracting the amounts allocated to benefits, the Social Security offset, and the Housing Allowance. As a pastor works through the allocations, they are encouraged to understand the cash salary they will need for their life circumstances.

Housing Allowance: Tax laws allow for preferential treatment for authorized ministers' housing allowance. Pastors and churches should determine how much of the total compensation package to allocate to housing allowance consistent with IRS regulations which state the following:

“If you receive as part of your salary (for services as a minister) an amount officially designated (in advance of payment) as a housing allowance, and the amount isn't more than reasonable pay for your services, you can exclude from gross income the lesser of the following amounts:

1. the amount officially designated (in advance of payment) as a housing allowance;
2. the amount actually used to provide or rent a home; or
3. the fair market rental value of the home (including furnishings, utilities, garage, etc.)”

Fair rental value is based on the local community. There are two ways to calculate this.

1. Fair Rental Value

A local realtor should be able to help you with this and also you can look on sites like

[Zillow.com](https://www.zillow.com), [Redfin.com](https://www.redfin.com), etc. to find what similar homes are renting for in your local

community. Be sure to document your research. Once you have determined the rent then add a small percentage for furniture and also add utilities to this amount for a total housing allowance estimate.

2. Comparable Sales Method

This is a two-part process. The first is to calculate what your home would sell for. Again, your best resources are a local realtor or websites like [Zillow.com](https://www.zillow.com), [Redfin.com](https://www.redfin.com), etc. The second part of that is determining what rate of return an investor would like if they were to buy your home and rent it. This is called the capitalization rate. The capitalization rate varies by community so a local realtor experienced in rentals would be your best bet. Once you have determined the home's value and the capitalization rate, multiply the two to come up with the fair rental value of the home. In this method too, you will add utilities to get a good housing allowance estimate. In this case too, document your research.

It is advisable to do this research annually. If not, do allow for the normal increase in rental values in your community.

Social Security/Medicare Offset: consider what is the taxable income (given the housing allowance) and determine the required amount owed to the government.

Benefits: the pastor will need to consider several factors in determining the portion of their compensation that they want to dedicate to benefits. The amount can exceed the percent the congregation used to establish the total compensation package, however, doing so will necessarily decrease the amount that is received as cash compensation.

Health Insurance: Health insurance may be the most financially significant expense a pastor has that is part of their benefits. Pastors will need to carefully consider the portion of their compensation to allocate to paying the premiums on health insurance in addition to how or where they procure their health insurance. Pastors currently enrolled in or wanting to initiate coverage in the UCC Pension Board Health Insurance Plan are encouraged to consider and compare the relative costs and coverages of all three of the UCC Pension Board plans as there are considerable differences between the plans. Pastors are also advised to consider procuring health insurance through the ACA Marketplace as they may find plans that are well-suited to their personal circumstances and that will help them optimize the allocation of their compensation. Pastors can check the eligibility requirements for the UCC Pension Board plans as well as the various plan rates through the Pension Board website. (<https://pbucc.org/>)

Dental and Vision Insurance: The advice is similar to allocating funds to health insurance premiums.

Life and Disability Insurance: Pastors are strongly encouraged to allocate 1.5% of their salary basis per the UCC Pension Boards for procuring Life and Disability Insurance. Please note the following regarding eligibility for pastors covered by the UCC Life Insurance and Disability Income Benefits Plan (LIDI) ([The Pension Boards - PBUCC - Disability Plan Facts](#)):

- **Short-term Disability: Eligibility:** Members who are covered by the United Church of Christ Life Insurance and Disability Income Benefits Plan (LIDI), after being out of work for 30 consecutive days, if approved.
- **Long-term Disability Eligibility:** Members who are covered by the United Church of Christ Life Insurance and Disability Income Benefits Plan (LIDI), after being on short-term disability (STD) benefits for 22 weeks, if approved. If the member remains disabled, the LTD benefits generally continue to age 65. *Total lifetime benefits for LTD due to a behavioral health condition are limited to 24 months.

Retirement Funds: Pastors are strongly encouraged to meet with a financial advisor to help them plan for their retirement. A financial advisor can provide advice about the impact of saving (or not saving) for retirement and how different amounts or retirement funds can impact the long-term ability of a clergy person to meet their goals for retirement.

An option for Authorized Ministers of the UCC is to invest with the UCC Pension Board. The Lifetime Retirement Income Plan for the United Church of Christ provides lifetime retirement income or beneficiary benefits to clergy and lay employees. Membership in the Lifetime Retirement Income Plan is open to anyone working for a UCC employer.

The UCC Pension Board recommends that clergy have 14% of their salary basis put into an annuity with the Pension Board and that the congregation contributes this on behalf of the clergy. The IKC guideline notes this, but does not require this level of contribution in order to meet the minimum expectations of the guideline.

Pastors need to understand the impact of making a choice to opt in or out of the UCC Pension Board plan as this choice can have long term and significant impact to a clergy person's ability to meet their retirement goals.

Resources for Pastors:

Ministers Financial Vitality Initiative: [Check for the current status of this initiative at https://pbucc.org/](https://pbucc.org/)

Financial services through the Pension Board: Check for retirement advice and planners at <https://pbucc.org/>

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