

Supporting Our Ministry

2006 - 2007 MINIMUM COMPENSATION GUIDELINES for Authorized Ministries in the Kansas-Oklahoma Conference

*Recommended by the Kansas-Oklahoma Conference
Commission on Church and Pastoral Leadership*

Approved by Conference Council 8/27/05

I. INTRODUCTION: UNDERSTANDING COMPENSATION FOR MINISTRY

This resource is entitled "Supporting Our Ministry" because ordained clergy, commissioned and licensed ministers are called and compensated for the sake of the whole church's ministry and mission. Any who recommend, determine or evaluate compensation for those leaders, therefore, need to understand compensation in the context of the whole church's ministry.

All Christians are called to ministry and mission, beginning with their baptism. Congregations have found that properly trained leaders are indispensable if they are to be faithful to the gospel and to God's mission. Well-educated, trained pastors help the church guard against distortions of the gospel, neglect of prayer or scripture, or misuses of religion. Studies in bible, church history, theology, psychology, and more prepare pastors to preach and teach the gospel faithfully in changing social times. Pastors need also to understand psychological, social, political and economic realities to help the church hear God's call and respond in faithful mission. Professional, full-time pastors developed because such responsibilities demanded more education and time than could be achieved by volunteers.

Congregations compensate pastors/teachers/preachers/leaders to equip members for ministry through: bible study, worship, preaching, teaching, administering the sacraments, counseling, prayer, spiritual direction, and support at times of special personal or community need. Compensation reflects, therefore, the congregation's intention to live in faithful service to God. That makes their relationship with their pastor different from that of employer to employee, even though a written call should be considered a legal contract. Their relationship is a covenant defined by their responses to God's call.

The following principles, in summary, are important when considering compensation for ordained pastors and other ministers:

1. The church compensates leaders for the sake and in the service of the whole church's ministry and mission.

The pastor is not "hired" by a congregation to serve itself, but called as pastor and teacher to lead all members in proclaiming the gospel, being stewards of God's human and material gifts, and serving God's mission. The pastor is thus a local representative of the gospel tradition and the whole church.

2. The church's ministry both requires and deserves our faithful stewardship, our generous giving.

One part of the church's ministry must not be put in competition with another because of weak stewardship. For example, local and wider mission are both essential; adequate clergy compensation and building maintenance are both very important. Faithful ministry requires faithful stewardship.

3. Compensation should be consistent with the values faith affirms.

It should honor experience, education, and responsibilities. It should meet genuine needs and be reviewed annually to respond to changing personal or economic conditions. It should be generous, just, and equitable regardless of race, sex or social status.

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II. COMPONENTS OF COMPENSATION

The following elements comprise an adequate and fair compensation package:

A. Base Salary

Salary is determined by considering the responsibilities of the position, levels of education, years of experience, and the needs of the person. Additionally, congregations are encouraged to (a) add merit increase for special and unique skills, accomplishments, and training, as well as for academic work beyond the Master of Divinity training. Below you will see a chart relating salary guidelines also to church membership size. The base salary should be comparable to that of other professions in the community requiring similar education and experience.

B. Housing

When housing is provided with a parsonage, it is recommended that all utilities except long distance phone calls be paid by the church. The parsonage should be well maintained and compare with the average housing in the membership and community. Since pastors are considered self-employed, they must pay Social Security Tax on the value of the parsonage. That value is calculated at 30% of Base Salary. For tax purposes, pastors can deduct the cost of purchasing furnishings from Base Salary, provided that amount is stipulated by vote of the church or official board as a portion of the housing allowance before payment at that adjusted salary level begins. Some congregations offer to contribute to a tax-sheltered equity fund to compensate for a pastor's loss of equity by living in a parsonage.

An equity allowance is not a housing allowance. The two different types of allowance should not be confused. For clergy living in a parsonage, an equity allowance can be set aside for future use not less than 5% or more than 10% of cash salary. This then could be invested in the UCC Foundation as a restricted fund.

At death, disability or retirement, the pastor's family is on its own. The family must now provide housing for themselves, either through ownership or renting. But after a lifetime of renting or living in the parsonage, the family might not have assets with which to provide housing. In fairness then, there is a need to help parsonage dwellers accumulate some equity that can be eventually used to provide housing, either rented or owned, when a parsonage is no longer available.

When a housing allowance is furnished, it should be adequate to purchase or rent comparable housing. The amount of total salary designated for housing again must be established in advance by vote of the church or official board and reported in writing to the pastor before payment at that salary level begins. Some congregations provide a loan at low or no interest to assist their pastor in purchasing a home. Such a written contract must be clear to the congregation.

The following chart indicates recommended base salary minimums based on church membership size and the pastor's years of experience. For your convenience the value of the parsonage had been added to base salary and is shown in the italicized numbers under each compensation level.

2006 – 2007 CLERGY COMPENSATION MINIMUM GUIDELINES

| Experience | Church Membership | | | | | |
|-------------------|--------------------------|----------------|----------------|----------------|----------------|--------------|
| | 1-100 | 100-200 | 200-300 | 300-400 | 400-500 | 500 + |
| 0-3 years | \$24,205 | \$26,265 | \$28,325 | \$30,385 | \$32,445 | \$34,505 |
| + 30% Housing | \$31,466 | \$34,144 | \$36,822 | \$39,500 | \$42,178 | \$44,856 |
| 4-7 years | \$26,265 | \$28,325 | \$30,385 | \$32,445 | \$34,505 | \$36,565 |
| + 30% Housing | \$34,144 | \$36,822 | \$39,500 | \$42,178 | \$44,856 | \$47,534 |
| 8-11 years | \$28,325 | \$30,385 | \$32,445 | \$34,505 | \$36,565 | \$38,625 |
| + 30% Housing | \$36,822 | \$39,500 | \$42,178 | \$44,856 | \$47,534 | \$50,212 |
| 12-15 years | \$30,385 | \$32,445 | \$34,505 | \$36,565 | \$38,625 | \$40,685 |
| + 30% Housing | \$39,500 | \$42,178 | \$44,856 | \$47,534 | \$50,212 | \$52,890 |
| 16-19 years | \$32,445 | \$34,505 | \$36,565 | \$38,625 | \$40,685 | \$42,745 |
| + 30% Housing | \$42,178 | \$44,856 | \$47,534 | \$50,212 | \$52,890 | \$55,568 |
| 20- + years | \$34,505 | \$36,565 | \$38,625 | \$40,685 | \$42,745 | \$44,805 |
| + 30% Housing | \$44,856 | \$47,534 | \$50,212 | \$52,890 | \$55,568 | \$58,246 |

Note: Add a cost-of-living increase for each year after 2006 using an annual rate of inflation, estimated to be approximately 3%.

C. Vacation and Holidays

Healthy congregations and healthy pastors realize the need for time for renewal and relaxation. An annual paid vacation of four weeks, including four Sundays, should be considered standard. Holidays such as New Year's Day and other normally observed holidays should be observed. Compensatory time for Easter and Christmas is strongly encouraged.

D. Work Week

Pastors want to be available to the members of the congregations they serve and members of the congregation rightly expect their pastor to be available in times of need. Therefore, pastors are on call twenty-four hours a day, seven days a week, but not all weeks are equally busy or demanding. A typical pastor's week may vary from forty to more than eighty hours. Pastors and congregations are encouraged to schedule one day off each week at a minimum.

E. Benefits

Benefits are those items other than base salary and housing that are considered part of the compensation package. They are the congregation's responsibility in providing adequate and just support of their pastor or leader. These include health and dental benefits, annuity, long term disability, and group life insurance. The Pension Boards of the United Church of Christ offer the following benefit plans to pastors with standing and lay persons employed at least 20 hours per week.

1. Health Insurance

The United Church of Christ offers a Health Benefits Plan and a Dental Benefits Plan. These are self-insurance programs providing comprehensive health and dental benefits that clergy and their families retain if they move from one state to another. Once included in the Plan, clergy and their families are insured for life as long as premiums are paid. Once a pastor leaves the plan it may be impossible to re-enter. No plan is immune from the national problem of escalating health care costs. Your Conference office or the Pension Boards will help if you have questions about this Plan. The church should pay the entire premium for family coverage unless only single coverage is needed.

2. Annuity

The Pension Boards of the United Church of Christ administer an annuity fund for pastors and lay workers. This tax-sheltered fund is very carefully invested to provide maximum benefits at retirement. Annuity payments are calculated at 14% of the total of base salary plus housing. When a parsonage is used, the value of that housing is calculated as 30% of the base salary. Thus the annuity payment for a pastor living in a parsonage would equal 14% x 130% of the base salary. When a housing allowance is paid, annuity is calculated at 14% of the total of base salary plus actual housing allowance. Additional tax-sheltered payments may be made by agreement of the church, the pastor and the Pension Boards.

3. Long-term Disability, Death Benefits and Group Life Insurance

Congregations should also provide long-term disability insurance through the UCC Pension Boards' Life Insurance and Disability Income Benefit Plan. This insurance relieves the church of liability in the event of their pastor's total or partial disability or death. Total disability benefits would begin after 90 days of disability, and would pay a percentage of base salary and housing, plus annuity, to age 65. The congregation is responsible for continuation of salary, housing and benefits during that 90 day waiting period. Decreasing term life insurance is included in the Plan, as is Group Life Insurance. The annual premium is 1.5% of the total amount of base salary and housing. Contact the Conference office or the Pension Boards for details.

4. Social Security Reimbursement

Congregations should budget an amount equal to at least an employer's portion, or 7.65% of base salary plus housing, as a social security reimbursement. The Internal Revenue Service considers ordained pastors employees in relation to the income tax, but self-employed in relation to the social security tax. While pastors must pay the self-employed social security tax rate (currently 15.3% of self-employment income), the IRS allows self employed persons to deduct one-half that amount before calculating their income taxes as well as social security taxes. Therefore, the formula for computing the actual social security tax for ordained clergy is: $(\text{Base Salary plus Housing}) \times .9235 \times .153$.

F. Sabbatical Leave

A common sabbatical leave is three or four months, with salary and benefits, after five or six years of service. Pastors are encouraged to participate financially by setting aside funds in advance to cover a part of the cost during sabbatical time. Usually a pastor is required to commit to at least one more year of service following a sabbatical leave. Sabbatical leaves encourage longer pastorates, and give both pastor and congregation new appreciation and fresh energy for their covenant in ministry. If a supply pastor is needed during the sabbatical period, congregations can prepare for that expense by adding annually to an escrow account for that purpose. Lay persons also can be prepared to lead worship and carry responsibilities for visitation, community leadership, and other regular pastoral duties.

G. Part-time Employment Guidelines

Congregations who call pastors to less than full time service can determine the recommended equivalent base salary using the same chart on page 3 by calculating base salary as a percentage of the standard 40 hour work week. Pastors employed 20 hours or more per week should receive housing and all benefits (listed above). Pastors and lay ministers employed less than 20 hours per week may negotiate for housing and benefits proportionate to the percentage of a full work week. Formula: $\text{Hours divided by 40 times full-time salary} = \text{part-time salary}$.

Example 1:

The congregation considers the position to be half time, or 20 hours per week. According to the pastor's experience and church size the chart on page 3 indicates the recommended minimum base salary is \$25,500. The recommended salary for the part time position would be determined:

20 hours per week divided by 40 equals .4.

.4 times \$25,500 = \$12,700

Example 2:

The congregation wishes to add an additional part time position to the existing full time pastor position. The new responsibilities would require an estimated 30 hours per week. According to the pastor's experience and church size the chart on page 3 indicates the recommended minimum base salary is \$25,500. The recommended salary for the part time position would be determined:

30 hours per week divided by 40 equals .75

.75 times \$25,500 = \$19,125

H. Suggestions for Supplementing Compensation

Congregations unable to meet the compensation guidelines outlined above should support pastor efforts to find supplemental income from other employment in the community. Congregations also may consider these additional means of support:

1. Offer extra time off annually for travel or study. Your pastor may have need or desire for the freedom to take more time away from the congregation than one month of vacation allows. A pastor may serve full time for fewer months, or part time with two or more vacation periods.
2. Members of a congregation are sometimes able to offer in-kind support of pastors or lay ministers. Free use of a car, locally grown or produced food, etc.
3. Consider increases in benefits. Some benefits, such as a tax-sheltered equity fund, or additional annuity payments, have longer term value to a pastor and do not increase immediate tax liability.

I. Cafeteria Plan Considerations

It is possible to reduce the pastor's taxable income by designating a portion of the salary for such items as incurred medical expenses and child care expenses. An official action by the appropriate church board allocates a fund from which the pastor can draw for reimbursement of appropriate expenses. The unused portion of the fund is "lost" to the pastor, cannot be paid as salary, a hedge against setting aside an unrealistic amount. Be sure to ask for competent professional advice to insure compliance with current tax regulations.

III. REIMBURSABLE EXPENSES

Reimbursable expenses are those costs, reimbursable to the pastor or lay ministers, which are incurred in the performance of duties. They are not part of the person's compensation. They are "business" expenses for which the congregation is responsible. The IRS considers the following to be reimbursable expenses:

A. Travel

The Internal Revenue Services establishes annually a maximum allowable rate for deducting business travel mileage. In 2005 the rate is 40.5 cents per mile. The rate includes the full costs of auto depreciation, insurance, maintenance and operation as a per mile cost. It is recommended that churches reimburse pastors for actual mileage logged in the performance of the ministry at the IRS allowable rate or other negotiated rate. It is not recommended that a monthly flat rate travel allowance be paid.

B. Continuing Education

Congregations should expect a pastor or leader to be committed to continued professional growth and development, since both truly benefit from it. Continuing education leave of two weeks each year is recommended, with an amount budgeted to cover a major portion of the expenses for tuition, travel, housing and meals that might be involved. The appropriate church board should be involved in approving a mutually beneficial experience.

C. Other Professional Expenses

The church may budget an amount for annual professional expenses such as:

Professional journals, books or periodicals

Hosting or entertaining church leaders, members or guests

Dues to professional organizations such as the Academy of Parish Clergy or the Association of United Church Educators

D. Conference and Association Involvement

Pastors are expected to attend official Conference and association meetings to maintain their ministerial standing. A pastor should be encouraged also to serve in wider ministry settings - in the association, camp, conference, or national settings. Such service, in appropriate amounts, should be considered part of the congregation's and person's ministry. The Conference asks congregations to encourage their pastors to offer one week's service per year at White Memorial Camp as a counselor or director. Such wider service is neither time off nor vacation. Expenses not reimbursed by the wider ministry setting should be reimbursed by the local church.

E. Pulpit Supply Preachers

During periods of scheduled absence of the pastor, such as the Sundays of scheduled vacation, Conference Annual Meeting, continuing education, sick leave or other approved personal leave, the payment of pulpit supply preachers is the responsibility of the church. See Section V, "Other Staff and Specialized Ministry" for suggestions of compensation for this service.

F. Worker's Compensation Insurance

In Kansas, churches whose total payroll exceeds \$20,000 annually must carry worker's compensation insurance on all employees, including pastors. In Oklahoma, all church employees, including pastors, must be covered by worker's compensation insurance. The United Church Insurance Program offers this coverage at competitive rates. Churches in Oklahoma are exempt from the State's unemployment tax.

G. Malpractice Insurance

In today's litigious society, churches should also carry malpractice insurance to protect both the pastor and church in the event of a lawsuit. Congregations insured through the UCC Conferences Insurance Program have that coverage.

IV. OTHER SUPPORT

Congregations are wise to anticipate special situations or needs of their pastors, commissioned or licensed ministers, or other employees. Such special situations include illness, personal emergencies, the birth of a child, etc. Personnel policies regarding such needs can avoid confusion and avert tensions in the relationship. If the church has no personnel policies for pastors or other employees a beginning point could be consideration of the Conference policies.

A. Family Medical Leave

In developing a family medical leave policy, the congregation might begin by considering the Conference policy, which allows one day per month for a maximum of 12 days per year, not cumulative. If an extended illness occurs, the official church board could be empowered to arrange for full salary up to 12 weeks. In case of long term disability, the congregation is expected to sustain full salary and benefits through the first 90 days of confirmed disability, after which disability insurance benefits apply.

B. Maternity/Paternity Leave

A period of maternity/paternity leave is an important way for congregations to support a pastor and family. In the case of mothers, six weeks of leave is recommended, and in the case of fathers, two weeks of leave is recommended, usually to be taken during the last week of pregnancy and the first weeks after delivery. These guidelines could also apply to adoptive parents. Details of the leave should be negotiated and clearly expressed to the congregation to avoid misunderstandings.

C. Emergency or Personal Leave Days

It may be helpful to identify a number of personal leave days to be used in cases of special family crises or celebrations. The Conference offers three days per year, not cumulative.

V. OTHER STAFF AND SPECIALIZED MINISTRY

No ordained pastor should be expected to serve full time for less than the minimum compensation guidelines outlined above. While compensation for Commissioned or Licensed Ministers may not meet the same guidelines for ordained pastors, it must yet be fair and adequate compensation for the responsibilities involved. If your church needs help in identifying persons for any of the following positions, please call the Conference office.

A. Associate Pastors

Associate Pastor compensation will vary also with responsibilities, experience, and training. Associate Pastors should be compensated according to salary guidelines. Full benefits should be offered.

B. Interim and Intentional Interim Pastors

An interim pastor is a pastor specially trained to serve churches experiencing the transition between their former pastor's departure and the calling of a new pastor. Because this "interim" period is such an important time for a congregation to work on issues of change and development, an interim pastor needs special skills and training. A full time interim pastor should receive compensation that meets the conference guidelines.

An "intentional interim pastor" is a pastor contracted to serve a church during a stipulated transition period in order to help that congregation meet particular goals before calling a new, permanent pastor. An intentional interim pastor helps the church identify those important goals and set objectives for the interim period, which may be one to two years. Compensation for this specialist in interim ministry should be at least at the same level as the last full time pastor but may need to be higher to adequately compensate for the interim's unique skills, or to stretch the congregation toward more adequate compensation for a newly called pastor.

C. Regular Supply and Pulpit Supply Pastors

A congregation desiring full or part time pastoral leadership during an interim or sabbatical period, but which is not intending to deal with particular changes or developments during that period, may contract for the services of a regular supply pastor. A regular supply pastor would assist the congregation in maintaining their ministries and programs. Compensation for regular supply pastors should meet the above guidelines, using the part time formula when the contract involves less than full time service.

Where a congregation needs only worship leadership, a pulpit supply pastor may be contracted for one or more consecutive weeks. A weekly compensation of a minimum of \$100, plus travel expenses, is a fairly standard amount for that limited service. An additional amount should be added if the parish involves more than one service.

D. Commissioned Ministers

Commissioned ministers are lay persons normally with a college degree plus specialized training in a specific area of ministry not requiring ordination, such as Christian education, music ministry, administration, outdoor ministry, etc. Compensation should again reflect experience, education and special training. Full time service should include all the benefits recommended above in II. D, pages 3-4.

E. Licensed Ministers

Licensed Ministers are lay persons who have received special training to preach and lead worship in settings where an ordained pastor is not available or is inaccessible. Compensation should address fairly the minister's needs in relation to the amount of time and responsibilities required by the position. Churches may wish to consider a percentage of the above recommended guidelines for base salary and housing, considering also average compensation and benefits received in the community.

VI. WORKING TOGETHER FOR EFFECTIVE MINISTRY

The covenant that binds a pastor and congregation in mutual ministry and mission needs to be nurtured, strengthened, and sometimes renewed. Here are some specific ways that can be done.

A. Pastoral Relations Committee

A small committee of three to seven persons is given the specific job of nurturing the pastor, the relationship between the pastor and the congregation, and clarifying the role of the pastor. Such care can build the trust and communication necessary to deal effectively with inevitable tensions or conflicts that arise. Guidelines for such a Committee can be found in the documents, "The Pastoral Relations Committee," available from United Church Resources, or "Ministerial Relations Guidelines," available free from the Conference office.

B. Annual Review of Compensation

An important task for a Pastoral Relations Committee is an annual review of the pastor's compensation. The review should be an open and caring conversation allowing the pastor to express changing needs or expectations. An annual increase of base salary reflecting any increase in the cost of living should be considered. Compensation does reflect the congregation's intentions to take seriously their own calling. Additional salary increases reflecting meritorious service or increased responsibilities affirms the mutual covenant between pastor and congregation. Increases in pastoral compensation should be advocated by a member of the Pastoral Relations Committee. A pastor ought not be put in a position of defending her/his own compensation.

C. Performance Review

Any planned review of pastoral performance needs to be done at a time sufficiently distant from annual compensation review to avoid linking the two. Performance review should be undertaken only when its purpose is clear, and only if there are not immediate tensions in the relationship between pastor and congregation. Such purposes might be to clarify congregational goals and objectives, to assess the pastor's use of time in relation to those objectives, to identify unmet needs, or skills that need further development. Review of the congregation's performance is as important as review of the pastor's. After all, the ministry and mission belongs to both. Deficiencies in performance by one party can seriously impede effectiveness by the other. Instruments for "Local Church Evaluation" and "Clergy Evaluation" are available from United Church Resources.

HOW THE PASTOR'S COMPENSATION MIGHT APPEAR IN A LOCAL CHURCH BUDGET

This sample church line item budget illustrates how compensation can be presented to communicate clearly the components of compensation, its distinction from reimbursable expenses, and the scope of the church's responsibilities in adequately supporting the ministry. This example uses the figure of \$25,500 as the base salary.

PASTORAL SERVICES

| | <u>Parsonage Provided</u> | <u>Housing Allowance</u> |
|--------------------------------------|---------------------------|--------------------------|
| <u>COMPENSATION:</u> | | |
| Base Cash Salary | \$ 25,500 | \$25,500 |
| Parsonage Value (30% of Base Salary) | (7,650) | |
| Housing Allowance | | 7,650 |
| Equity Fund (5%) | \$1,275 | |
| Social Security Reimbursement | <u>4,684</u> | <u>4,684</u> |
| Total Cash Compensation | \$31,459 | \$ 37,834 |

BENEFITS

| | |
|--|-----------------|
| Health Insurance (family coverage, approximate) | \$ 12,620 |
| Annuity (14% of base salary plus housing) | 4,641 |
| Life Insurance, Long Term Disability Plan & Group Life Insurance | <u>498</u> |
| Total Benefits | \$17,759 |

EXPENSES SUPPORTING THE MINISTRY

| | |
|---|-----------------|
| Travel (@ \$.405/mile – 8333 miles) | \$ 3,374 |
| Continuing Education | 500 |
| Professional Expenses | 300 |
| Meeting Expenses (Conference, Association, other) | 325 |
| Pulpit Supply Preachers | 500 |
| Worker's Compensation Insurance | <u>300</u> |
| Total Expenses Supporting the Ministry | \$ 5,299 |

Parsonage Expense to the Church

| | |
|------------------------|----------------|
| Utilities | \$2,750 |
| Insurance | 700 |
| Maintenance | 2,100 |
| Furnishings | <u>2,100</u> |
| Total Parsonage | \$7,650 |