

CLERGY
COMPENSATION
GUIDELINES
2008-2009



MAINE CONFERENCE
UNITED CHURCH OF CHRIST

Clergy Compensation Guidelines

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2009 CLERGY COMPENSATION GUIDE
Maine Conference UCC
From the Clergy Compensation Task Force
Of the Commission for Spiritual Life

We were guided by the following principles:

Compensation should be fair and just, taking into consideration the size of the church and the clergy person's experience, skills, and education. Other practical factors that churches must consider are their income and their geographical setting.

Churches whose size and/or income make it impossible to approach these guidelines should consider options that fit their budget while treating their clergy with fairness and integrity.

How Do We Decide?

How we decide is almost as important as what we decide. In every church, some process needs to be in place for the regular, annual review of employee compensation. Some group within the church (i.e. Pastoral Relations, Personnel, etc) needs to have responsibility for the process. This booklet deals with clergy compensation, but regular review of compensation for other church staff members is just as important.

The process for reviewing clergy compensation should be one in which the professional person (i.e. the clergy) is a full participant. Pastors have a right, and indeed an obligation, to share with an appropriate designated body whatever feelings, hopes, and needs they may have with regard to compensation. Even in situations where resources are severely limited and the church is unable to pay what it might like to, the fact that the pastor has been consulted is very important in terms of clergy morale and open communication.

We suggest that in each church, a small committee, perhaps a Personnel Committee, be given the task of initial negotiations with the pastor or pastors each year, several months before the next year's budget is drafted. Recommendations for changes in compensation can be forwarded from this group to be included in the budget-building process. Ideally, the same committee, which initiates compensation recommendations, will also be involved in defining and evaluating the pastor's work on a regular basis.

What Factors Should Be Considered?

The size of your church Smaller congregations generally pay less than larger ones although there are exceptions to this pattern. The guidelines which follow recognize that church size may make a difference in a church's ability to compensate its pastor and in the demands the church places on its pastor.

The experience and skills of your pastor Generally, pastors who have served in ministry for several years will possess more skills than those whose experience is limited. It is appropriate that acquired skills and advanced training be recognized with a higher salary. The Conference guidelines provide salary ranges. The more experience and skilled your pastor is, the higher in the guideline range you should expect his or her salary to be.

Your assessment of your pastor's performance Pastors who have performed well in meeting the needs of the congregation should receive a performance increase.

The cost of living The cost of goods and services rises nearly every year and clergy compensation should be adjusted accordingly. Otherwise, simply maintaining the same salary will reduce the pastor's purchasing ability. We suggest that you adjust your pastor's specific salary based on performance and the cost-of-living index (COLA).

SALARY GUIDELINES

Salary guideline figures for 2008-2009 can be found at the end of this document

Where a parsonage is not provided, a housing allowance of 30 percent of salary is recommended.

The recommended COLA for 2008 is 3%. However, the Commission for Spiritual Life recommends that the percentage be 4% in order to raise the pastor's salary rather than just give a cost-of-living increase.

CSL also recommends a cash package sufficient to allow the minister to buy, furnish and maintain a median-priced house in the church's community: The minimum cash package should be no less than 1/100 per month of the value of a median-priced home in the community; (for example: if a median-priced house in a community is \$150,000, the church's minimum cash package for housing would be \$2,000 per month, or \$24,000 per annum.

Associate Pastor

A full-time Associate Pastor's salary is generally set at 70%-80% of the Senior Pastor's salary.

Benefits and Employer Expenses

The figures above are for cash salary with parsonage or with housing allowance. (See the Compensation Worksheet).

These additional items are usually part of a compensation package.

- Annuity – 14% Sabbatical Leave
- Health and Dental Insurance Study Leave
- Life and Disability Insurance Professional Expenses/Books
- Four Weeks Paid Vacation Maternity/Paternity Leave
- One-half Social Security tax Housing Equity Allowance
- Car/Transportation Expenses Continuing Education
- Conference, Meetings etc

All Clergy should receive at least an annual cost of living increase based on the federal cost-of-living index (COLA) as well as an increase based on the number of years served at the church, expertise, performance and additional education. The salary benefit and annual increase recommendations in these guidelines are based on a consideration of:

- a. Clergy compensation currently provided by Maine UCC churches;
- b. Compensation provided by Maine churches of other mainline Protestant Denominations;
- c. Compensation provided by UCC congregations in neighboring states;
- d. Compensation for other professional positions, which require a similar amount of education and responsibility (i.e. educators).

See actual cost examples at rear of Booklet

Part-Time Compensation*

Churches that cannot afford the recommended full-time compensation (salary plus benefits) may consider offering fair part-time compensation. Fairness is the key because without it a congregation may have unrealistic expectations of a part-time clergy person. One approach to negotiating a fair part-time congregation-clergy covenant is to look at the responsibilities in terms of units. A morning, afternoon or evening would constitute one unit of work. For example, a pastor who spends a morning on worship preparation, the afternoon on hospital visits and the evening at a trustee meeting would work three units that day.

A full-time pastoral position would involve 10 to 14 units a week, depending on the season, emergencies and other situations, but should average 12 units a week over the course of a year. Three-quarter time compensation would average 9 units while half-time compensation would average 6 units.

This approach allows a congregation to set priorities and provides considerable flexibility. Lay people might prepare the newsletter, teach an adult Bible study or make routine visits to shut-ins, freeing the part-time clergy person to concentrate on worship preparation and a limited number of meetings, counseling sessions and crisis visitation. In this way, a church may provide a professional-level ministry with a part-time pastor.

Imaginative approaches to bi-vocational ministry offer another option. Churches with part-time ministers might explore innovative ways to attract clergy by investigating other part-time employment opportunities in their communities and listing them in their search profiles. Especially as more people enter the ministry after working in other areas, this approach offers possibilities.

***Part-time Employment Compensation Guidelines**

Congregations who call pastors to less than full-time service should use the salary guidelines to determine the recommended minimum salary for full time service for their church and their pastor's experience and then multiply that salary by the percentage of full-time service worked by the part-time pastor. (Example: A church with 100 members and a parsonage hires a part-time minister for half-time. The recommended cash minimum salary is \$29,886.00 (Salary Grid) x (50%) or \$14,943.)

1. Clergy employed 24 hours or more per week should receive a percentage of housing and all benefits equal to their percentage of part-time employment.

2. Part-time clergy need to receive expense offsets for mileage, books and meetings.
3. Part-time clergy & churches are urged to arrange compensation agreement as best suits the particulars of each clergy regarding Income Tax Liability.

CLERGY UNITS

The following suggests unit assignments for the most common clergy responsibilities:

<u>Responsibility Units Per Week</u>	
Worship Preparation	2-4
Sunday Worship/Coffee Hour	1
Visitation	2-3
___ Those in need – shut-ins, hospitalized, etc.	
___ other church members	
Administration	1-2
Meetings	2-3
___ in the church	
___ in the community- local clergy, UCC Association, Conference, etc.	
Counseling, Weddings, Funerals	1
Preparing and Teaching Bible Study	1-2
Communication- bulletin/newsletter	1-2
Community Chaplaincy - nursing home, jail, hospital, etc.	1

Other Compensation

While the housing allowance in lieu of a parsonage is calculated at 30 percent of cash salary, actual clergy need depends on location. Housing cost is likely to be significantly higher in southern Maine and along the coast than inland and in northern regions. There may be a difference between housing allowance compensation from a church and the housing allowance a clergyperson may claim for IRS purposes. See a specialized tax guide or consult a tax advisor.

Churches which provide parsonages should also provide a housing equity allowance. Lay people may assume that clergy who are provided with parsonages are freed from concern about mortgages. Pastors, however, who have lived in parsonages throughout their career, often retire with few funds for retirement housing because they have not accumulated equity in their own homes through those career years. Thus a two percent (2%) housing equity allowance is recommended.

Sabbatical

We recommend that a three-month sabbatical leave be provided to full-time pastors for every five years of service. Churches are advised to save for this expense in their operating budget over the five-year period.

Health Insurance

Finally, we strongly recommend that pastors be enrolled in the UCC health insurance plan because it assures portability and continuity. That is, as pastors move to new parishes, they can take their health insurance with them. We recommend that pastors be provided with this health insurance even if their spouses/partners can obtain family coverage at their own place of employment to ensure continuous clergy coverage in the case of divorce or death of a spouse/partner. We also recommend that clergy with families be provided with full family health and dental insurance coverage.

The Life Insurance and Disability Plan offered through the UCC Pension Boards is vitally important coverage offered at a very modest cost. This coverage should not be neglected by either the pastor or the congregation. The Plan actually helps protect the church as well as the pastor.

This plan through the UCC Pension Board provides disability income and term life insurance for your pastor. The premium is 1.5% of the same "salary basis" used previously to compute the annuity. The Plan provides benefits in the event of death or disability. The Plan has three key parts:

1. life insurance program,
2. short-term disability program that can replace a portion of income for up to five months, and
3. long-term disability program that can replace a portion of income when a disability continues beyond six months.

If your minister is new to the UCC ministry, it is important that he or she apply for the Life Insurance and Disability Plan within the first 90 days of arriving in their ministry setting. Failure to do so may result in having to pass medical exams in order to be eligible for coverage. Such exams can result in the denial of coverage.

Flexible Spending Account Plan

Through the Pension Boards, local churches participating in the UCC Health Benefit Plans may establish a Flexible Spending Account for clergy. Aside from a modest initial set-up fee, making this Account available does not have a cost to the local church as it is funded by the clergy person's voluntary salary redirection into the Account. The Account provides participants with tax-savings related to medical deductibles, co-pays and dependent care expenses and is an attractive addition to a compensation arrangement.

How Should We Present the Pastor's Compensation in the Church Budget?

Given the fact that people inevitably make comparisons between their own earnings and those of the pastor, thought needs to be given to the way this information is presented in the church budget. In view of this, we recommend

that a budget format be used which clearly distinguishes between those line items which are in the category of “salary” and those which are employer costs. In the case of a pastor, it is reasonable to include both cash salary and a housing allowance or provided parsonage as salary items, comparable to what a layperson’s salary would include.

We recommend that all other compensation items be listed as “employer expenses,” because they are the equivalent of items regarded that way outside the church. Retirement and health plans are fringe benefits that other employees also receive. A Social Security allowance is equivalent to the employer’s share paid on behalf of other employees. Auto and other expense allowances also have their equivalents in the secular world, where they are regarded as basic costs of doing business.

Parsonage/Housing Allowance

Living in a Parsonage is not as free as it looks. To be sure, the Church puts up the capital investment, pays the taxes, utilities and repairs etc., but the minister may serve an entire lifetime without building any equity in a house. A list of pros and cons might look like this.

A parsonage is helpful when:

Real estate costs in the community are so high clergy would not be able to buy. The minister does not plan to stay long enough to make housing investment wise. The pastor does not have to be concerned about taxes, utilities, repairs or periodic renovation. The pastor can easily decide to leave on short notice without having to sell property.

A parsonage is a disadvantage when:

A parsonage may not be either comfortable or convenient for the pastor’s family. There is a felt lack of privacy in parsonage living. In case of death or disability, the parsonage family must move as well as cope with the loss.

Obviously what is an advantage for the pastor may be a disadvantage for the church and vice versa.

In the past we have suggested a 2% equity allowance to help clergy who live in parsonages save for future housing needs. A housing allowance can build equity toward the time when the minister needs a retirement home. Housing equity is also a major form of saving for most other people. A housing allowance gives the minister a chance to build equity toward the time when through retirement or disability s/he no longer has a church provided home.

Home ownership carries tax advantages such as:

Ownership may represent a stronger commitment to the community. A pastor’s voice is more likely to be heard in Community affairs if s/he is a taxpayer as well as a resident.

Home ownership also has disadvantages and include:

The possibility that the pastor might need to sell property to move.

The possibility that a retiring pastor will not feel as free to move from his/her final parish.

The cost of ownership are often greater than some people realize.

Tax Implications for Clergy Compensation

For most of us the Social Security tax we pay is withheld along with the Federal Income Tax and we realize that our employer pays half of the total while we pay the other half. Clergy are treated as “self-employed” for purposes of Social Security so they pay the whole 15.3% tax. And they pay it on cash salary plus housing provided. (Parsonage, figured at 30% of salary or fair market value, or actual housing allowance.) For many ministers, this is by far the largest tax they pay. This is why many Churches include a Social Security allowance equal to what would otherwise be the employer’s share of the tax. Even though this allowance is taxable as income, it can be helpful and also serve to remind people that for clergy, housing is a mixed blessing. An additional booklet, *A Negotiating Handbook for Congregations and Clergy* is available from the Maine Conference Resource Center.

A Church’s Actual Cost for a Minister

To help churches avoid the “sticker shock” of how much it actually costs to employ a full-time minister, the following examples are provided.

These two examples provide the “real cost” to a church for a minister. One is for a small church of 100 members hiring an entry-level pastor. The other is for a larger church in the 251-400 member range hiring a mid to senior level pastor. The examples come right from the Clergy Compensation Guidelines and DO NOT reflect geographical locations where additional housing allowance must be provided to reflect higher than average costs.

EXAMPLE #1: Entry-level church of under 100 members providing a housing allowance and working full-time. These figures are based on a 4% US recommended COLA increase. See grid at back of document for figures based on 5% increase.

\$29,886	Salary
8,966	Housing allowance (30% of salary)
38,852	BASE COMPENSATION
2,972	Social Security (7.65 of base)
5,000	Travel (this figure may need to be raised for clergy in rural areas)
5,439	Retirement (14% of base)
583	Disability (1.5% of base)
*12,256	Health (UCC sets rates)
*869	Dental (UCC sets rates)
1,000	Books & Continuing education

3,500 Sabbatical escrow (3 months after 5 years - \$500 increase from 2008)

\$70,471 CHURCH'S ACTUAL COST FOR A MINISTER

*Two adults, estimated cost for 2008

IF A PARSONAGE IS PROVIDED INSTEAD

- ..deduct housing allowance
- ..add maintenance, snow, lawn care, utilities, taxes
- ..add housing equity allowance (2% of salary)

EXAMPLE #2: Mid-level church of 251-400 members providing a housing allowance

\$47,519	Salary
14,256	Housing allowance (30% of salary)
61,775	BASE COMPENSATION
4,726	Social Security (7.65% of base)
5,000	Travel (this figure may need to be raised for clergy in rural areas)
8,649	Retirement (14% of base)
927	Disability (1.5% of base)
*12,256	Health (UCC sets rates)
*869	Dental (UCC sets rates)
1,000	Books & Continuing Education
5,000	Sabbatical escrow (3 months after 5 years)

\$100,002 CHURCH'S ACTUAL COST FOR A MINISTER

*Two adults, estimated cost for 2007

IF A PARSONAGE IS PROVIDED INSTEAD

- ..deduct housing allowance
- ..add maintenance, snow, lawn care, utilities, taxes
- ..add housing equity allowance (2% of salary)

CLERGY COMPENSATION GUIDELINES SALARY SCHEDULE

Recommendations for Changes 2008-2009

Salary and Housing (4% increase)

Church Size	Salary With Parsonage
Under 100 members	\$29,886 – 38,852
101-150 members	31,330 – 45,092
151-250 members	33,942 – 47,927
251-400 members	36,553 – 61,231
400+ members	39,151 – 66,578

Church Size	Salary With Housing Allowance
Under 100 members	\$38,852 – 50,508
101-150 members	40,730 – 58,621
151-250 members	44,125 – 62,306
251-400 members	47,519 – 79,600
400+ members	50,894 – 86,551

Salary and Housing (5% increase)

Church Size	Salary With Parsonage
Under 100 members	\$30,174 – 39,226
101-150 members	31,631 – 45,526
151-250 members	34,269 – 48,388
251-400 members	36,904 – 61,820
400+ members	39,527 – 67,218

Church Size	Salary With Housing Allowance
Under 100 members	\$39,226 – 50,993
101-150 members	41,121 – 59,184
151-250 members	44,549 – 62,906
251-400 members	47,976 – 80,365
400+ members	51,384 – 87,383

UCC Health Plans

Listed below is information on the UCC Health plans and costs for 2007 and estimated costs for 2008 which the Conference uses. (As of May 1, the 2009 figures were not available.)

ANNUALIZED* HEALTH AND DENTAL RATES

Rates for 2007 and 2008 (Non-Medicare) - Plan A				
Coverage Type	Quarterly Rate 2007	Annual Rate 2007	Annual Rate 2008 (est.)	Quarterly Rate 2008 (est.)
One adult	1,446.75	5,787.00	6,192.09	1,548.02
Two adults	2,863.50	11,454.00	12,255.78	3,063.95
One adult with child(ren)	2,817.00	11,268.00	12,056.76	3,014.19
Two adults with child(ren)	3,057.75	12,231.00	13,087.17	3,271.79

Rates for 2007 and 2008 (Dental)				
Coverage Type	Quarterly Rate 2007	Annual Rate 2007	Annual Rate 2008 (est.)	Quarterly Rate 2008 (est.)
One adult	107.25	429.00	450.45	112.61
Two adults	207.00	828.00	869.40	217.35
One adult with child(ren)	210.00	840.00	882.00	220.50
Two adults with child(ren)	236.25	945.00	992.25	248.06

Rates Health and Dental Combined for 2007 and 2008 (Non-Medicare) - Plan A				
Coverage Type	Quarterly Rate 2007	Annual Rate 2007	Annual Rate 2008 (est.)	Quarterly Rate 2008 (est.)
One adult	1,554.00	6,216.00	6,642.54	1,660.64
Two adults	3,070.50	12,282.00	13,125.18	3,281.30
One adult with child(ren)	3,027.00	12,108.00	12,938.76	3,234.69
Two adults with child(ren)	3,294.00	13,176.00	14,079.42	3,519.86