

2010 Compensation Guidelines for IKC-UCC Clergy

Why Waste a Good Recession?

According to the Lake Institute on Faith and Giving – a division of The Center on Philanthropy at Indiana University – “the economic outlook for religious giving and fundraising in 2009 is – at best – an uncertain, if not downright sobering.” This assessment is based on two factors:

1. The Philanthropic Giving Index that indicates 93% of fundraising executives describe the current economic climate as having a negative to very negative impact on not-for-profit giving and fundraising.
2. Conversations with several dozen clergy and religious leaders about what they are experiencing in their respective congregations and religious organizations regarding giving in 2008 and pledging in 2009.

In presenting the following compensation guidelines, the Congregational & Clergy Support Committee felt it could not do so with any sense of integrity unless it addressed – to some degree – the wider context of faith and giving in economically uncertain times. Since compensation for authorized ministers generally constitutes a significant percentage of a local congregation’s budget **and** because local congregations depend largely on voluntarily given financial commitments, the committee strongly feels it must present these guidelines with both a sense of realism and hope. Further, we strongly feel that the proposed compensation guidelines are fair for both authorized ministers and the congregations they serve without surrendering to fear and anxiety.

Therefore, as Barbara Wheeler, president of Auburn Theological Seminary in New York, advises, “Let’s not waste a good recession,” we offer the following ways local congregations may choose to consider in coping with economic uncertainty.

We make a living by what we earn. We make a life by what we believe. This is true for both individuals and local congregations. A local church budget is more than an economic tool. It is also a theological statement about what the congregation believes to be important in its life, mission and program priorities. These times of economic uncertainty present local congregations with the opportunity to discern these critical, but life-enhancing questions: (1) Who are you? Why do you exist as a local church? (2) What are the core beliefs of your congregation that, if you were offered \$1 trillion dollars to stop practicing, you would say, “No sale!”

Break the tyranny of silence. Congregations that are coping well with the challenges of economic uncertainty are those that have been intentional in integrating money-talk and having public conversations on the responsible stewardship of possessions (nearly 2/3s of the Christian Scriptures address these two things) into their preaching, teaching, and educational programming. If your local church has an unwritten, but inviolate, code prohibiting anyone from talking openly about money, sex and politics, you may be in trouble.

Know your congregation. To be sure every congregation is unique. It is also true that age, geography, frequency of participation, and economic situations all affect giving to local churches. Are you aware of the impact these factors are having on your local church? More over, how long has it been since your congregation has carefully analyzed its own giving patterns? Where do you find increases and decreases in giving? Does an analysis of giving reveal needs and anxieties the congregation needs to address? If significant dollars come from older people dependent on IRAs or from endowments, your congregation should prepare for a greater shortfall in the foreseeable future.

Use the giving pyramid to your congregation's economic advantage. Over the years, philanthropic institutions and fundraisers have proven that the top 10% of donors to not-for-profits give 60% of the dollars. The next 20% give 20% of the dollars, and the lower 70% give only 20% of the dollars. Some recent research shows that among Christians it is the top 5% of the donors who give 60% of the dollars. Therefore it may prove to be helpful to evaluate the top 5%-10% of your congregations giving for 2008, and their pledges for 2009, for clues as to the outlook for giving in your congregation.

Tell Stories that illustrate and inspire generosity. Stories have been the life-blood of our Hebrew/Christian faith. Stories activate both the rational and imaginative parts of our brain. Thomas Jefferson wrote, "When any act of charity or of gratitude is presented either to our senses or imagination, we are deeply impressed with its beauty and feel a strong desire in ourselves of doing charitable and grateful acts also." Generosity – even in uncertain economic times – is contagious. It only takes one example to make it so.

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

Meditate on the Psalms of Lament. These texts from the Hebrew Scriptures offer a language to use to talk honestly with God about our fears and anxieties in uncertain times. However, they offer more than just a catharsis. Most of the lament psalms end with a note of triumphant praise because, in the words of St. Paul, "we are more than conquerors through him who loves us." (Psalms 37, 49, 61 & 116)

Don't panic-think. It has been often said that local congregations are the first to feel the pinch of times of economic uncertainty, and the last to emerge from them. More than likely congregations will be making cuts. Rather than making across-the-board percentage cuts, target your congregation's reductions toward those parts of your budget that reflect programs that are least productive, non-essential, and no longer reflect your purpose.

There may be other options then down-sizing pastoral staff. As we said earlier, compensation constitutes a significant portion of a local congregation's budget. The quick fix might be to simply jettison this portion of the budget. To be sure, uncertain economic times may require this. But it must also be said that many times the quick fix is not always the most beneficial in the long run. Therefore congregations may choose to consider other options in order to secure the services of authorized ministers. These options include: part time pastorates, employing by-vocational pastors, yoking with another congregation in sharing one pastor, clustering with several other congregations and designing a team of pastoral leaders that specialize in certain areas of program and mission, or congregational mergers. Again, don't panic-think!

The 46th Annual Meeting of the Indiana-Kentucky Conference of the United Church of Christ, concerned with the growth of its churches and the compensation of its ordained leaders, recommends that all congregations meet the goals as outlined in these guidelines. The guidelines apply to all full-time pastors, associates and assistants, both settled and interim.

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

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

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

Be it resolved that the 46th Annual Meeting recommends:

1. Churches pay **at least a minimum cash salary** according to the following table for a full-time pastor;
2. Churches provide either:
 - a. A PARSONAGE with a furnishings allowance, all utilities, and an equity development plan which will ensure the pastor has housing assets in retirement; or
 - b. A CASH PACKAGE sufficient to allow the minister to buy, furnish and maintain a median-priced house in the church's community; the minimum cash package shall be no less than 1% per month of the value of a median-priced home in the community; (for example: if a median-priced house in a community is \$150,000, the church's minimum cash package for housing would be \$1,500 per month, or \$18,000 per annum)
3. Full benefits and professional expenses be provided, as listed below; benefits and professional expenses are not to be considered part of the cash salary, but are part of the cost of having an authorized minister;
4. Churches already at or above the minimum and also fully providing all benefits and professional expenses as outlined below give at least a cost of living increase and consider a merit increase also;
5. The work schedule of local pastors be a maximum average of 45-55 hours per week with no more than 3 evenings in a given week; in addition, pastors take at least 1 day off per week.

MINIMUM CASH SALARY BY MEMBERSHIP

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

Number of Church Members	Experience in Years				
	0-3	4-9	10-12	13-20	20 Plus
0-150	\$31,433	\$33,948	\$36,461	\$38,977	\$44,647
151-300	\$33,948	\$36,664	\$39,379	\$42,096	\$48,219
301-500	\$36,653	\$39,594	\$42,528	\$45,462	\$52,077
501-1000	\$39,224	\$42,765	\$45,933	\$49,098	\$56,242
Over 1001	\$42,765	\$46,184	\$49,607	\$53,027	\$60,741

BENEFITS AND PROFESSIONAL EXPENSES

A. SOCIAL SECURITY ALLOWANCE

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

B. BENEFITS

1. **Annuity** - minimum of 14% of base salary plus housing allowance (or minimum of 14% of 130% of base salary if parsonage is provided) paid quarterly to the UCC Pension Board.ⁱⁱ
2. **Life Insurance and Disability Benefit Plan** (short-term and long-term disability income insurance and decreasing term life insurance through UCC program) - cost is 1.5% of base salary plus housing allowance or, where a parsonage is provided, 130% of base salary.
3. **Health Insurance** (For 2009, Plan A: Employee (EE) Only - \$6,981; EE & Spouse/Partner - \$13,854; EE & Child(ren) - \$13,623; EE, Spouse/Partner & Child(ren) - \$14,919) 2010 rates are received in Oct 2009
4. **Dental Insurance** (For 2008, Plan A: Employee (EE) Only - \$459; EE & Spouse/Partner - \$885; EE & Child(ren) - \$900; EE, Spouse/Partner & Child(ren) - \$1,011)/available through the UCC Pension Boards.
5. **Medical and Dependent Care Flexible Spending** - Pre-tax deductions from salary for medical and dependent care expenses under Section 125 of the IRS Code. (Call the Conference Office for details)
6. **Holiday and Vacation Time** - usual holidays (or compensatory time) and 4-6 weeks vacation per year. When unable to provide salary increases, compensation of additional vacation and/or days off may be offered.
7. **Continuing Education Time** - 1-2 weeks, including Sundays.
8. **Sabbatical Time and Funds** - strongly recommended every 5 years for a 3 month period.ⁱⁱ
9. **Sick Time** - up to 30 days per year.ⁱⁱⁱ

10. **Maternity/Paternity Leave** - 6-8 weeks are recommended.
11. **Family Emergency Leave** - 3-4 weeks recommended
12. **Collegial Time** - for clergy retreats, ministerial meetings, and support groups. This is not vacation.

C. PROFESSIONAL COSTS (Not to be understood as part of Pastoral Compensation but more accurately the cost of pastoral activity and support; congregations are urged to list professional expenses as part of office expenses or other similar category.)

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 (\$.55/mile for 2009) IRS rate plus tolls and parking, or an automobile provided by the church.
2. **Professional Expenses** - all expenses allowed by the IRS.
3. **Continuing Education Allowance** - Clergy are encouraged to earn 4 units of Continuing Education per year. Reimbursements include registration, travel, room and board, materials, etc.
4. **Reimbursement for Criminal Background Checks** - Criminal background checks are required for all pastors.

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

COMPENSATION: (Illustration A)	
Salary	\$36,461
Housing Allowance (for those not in a parsonage, \$150,000 house)	\$18,000
BENEFITS:	
Annuity 14% (salary + housing) ¹	\$7,625
Life Insurance and Disability Benefit Plan 1.5% (salary + housing)	\$817
Medical/Dental Insurance [Plan A – EE, Spouse/Partner, Child(ren)]	\$15,930
Social Security Offset 7.65% (salary + housing) ²	\$4,166
PROFESSIONAL COSTS:	
Professional Expenses	\$1,000
Book Allowance	\$500
Continuing Education	\$1,000
Auto Reimbursement (10,000 miles/year @ \$.55/mile for 2009)	\$5,500
Total needed to fund a full time pastor	\$90,999

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

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

PART TIME PASTORS

Part time pastors should be compensated at the same level as Full time pastors prorated by the amount of units they work.

Many full time pastors are expected to work 12 units a week, **a unit defined as being equal to a full morning, or afternoon, or evening. A full day's work consisting of working from the morning through the evening would be considered three units: One for the morning, one for the afternoon and another one for the evening.** Churches who cannot afford full time ministry need to discern the number of units they can afford and need. An example might be a congregation needing a pastor to preach on Sunday and call on members two afternoons a week. The Sunday morning units would be one for the morning and one for preparation and sermon writing for a total of two units. In addition, the calling units would be one for each afternoon. All of the units would equal four total units. The cost would be worked out as follows: Using (*Illustration A*) above figure as the full time cost, the cost for an experienced pastor of 9 years would be **\$93,199 divided by 12 units = \$7,767 a unit a year. For this congregation needing 4 units, the yearly cost would be 4 units times \$7,545 or \$31,068 a year. Half time or 6 units would be 6 units times \$7,545 or \$46,602.**

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

For congregations who have part time clergy, simply prorate the guidelines by the percentage of time worked i.e. 1/2 time person would receive 50% of guidelines.

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ii Conference/Association Staff are available for Sabbatical planning including information regarding funding sources.

iii For lengthy illnesses UCC Disability Plans are available through the UCC Life and Disability Program.