

# Illinois Conference UCC

## Guidelines for the Call and Support of Ministry Leadership 2005

Guidelines for the financial compensation of clergy serving churches of the Illinois Conference, United Church of Christ, are established by the Ottawa Table, a body comprised of representatives from each of the five Association Church and Ministry Committees (or equivalent).

The guidelines are exactly that; they are guidelines. In a conference as large and diverse as is the Illinois Conference, it is impossible for any single formula to account for all the varying economic and societal contexts of our churches. **NONETHELESS**, the guidelines have been established with care and represent an approximation of the market for compensation of clergy. Obviously, the single most variable element in the cost of living across our conference is that of housing. The guidelines attempt to address that variation by suggesting a way to establish a housing allowance (for those churches which do not provide a parsonage) based on housing costs in the church's own community.

Two additional introductory observations are important. Clergy are subject to the same economic pressures as are all other church members. Many have families to support and all have bills to pay as do all other people. Some will be making payments on educational loans acquired during their time of post-graduate study in seminary. Though it is undoubtedly true that clergy are not in it for the money, it is equally untrue and unwise to think that levels of compensation are of no interest or concern to pastors. Whether we like or not, it is usually true that you get what you pay for.

It is also true that many of our smaller churches cannot (and perhaps **SHOULD NOT**) devote sufficient financial resources to be able to afford full-time pastoral leadership. Rather than engaging in the demeaning and abusive practice of expecting full-time work for part-time pay, these churches are advised to consult with their association minister about alternative models for leadership provision and compensation. There are models of part-time ministry, bi-vocational ministry and in some cases licensed ministry which may be healthier for smaller churches to consider. When a pastor is employed at less than full-time, the compensation should be proportional to that of a full-time position. In this document, a full-time position is considered to be one in which the pastor averages 45-50 hours of work per week.

### **THE COMPENSATION GUIDELINES**

In the Illinois Conference, in order for a compensation package to be advertised or presented as meeting guidelines it must, at minimum, include the following elements:

1. **Cash salary,**
2. **Housing,** and
3. Specified economic and non-economic **benefits.**
4. Additionally, while not considered part of pastoral compensation, the call must include provision for the reimbursement of **professional expenses.**

#### **1. Cash Salary**

The base cash salary in 2005 for a pastor newly graduated from seminary is \$27,000. This figure should be raised by \$600 for each year of pastoral experience up to a

maximum of 15 years (potentially \$9000). The base cash salary should also be adjusted if the church's average worship attendance exceeds 75:

Up to 75	Base salary
75 to 199	Base salary + \$1000 to \$3000
200 to 399	Base salary + \$3000 to \$5000
400 and over	Base salary + \$5000 or more

In addition, there are times when a church will find it appropriate to adjust these numbers in order to account for special skills and effectiveness, educational attainment beyond the Master of Divinity, or for other relevant life and work experience which the pastor brings to his/her call.

## 2. Housing

If the church chooses to provide a parsonage, all utilities except personal long-distance phone calls should be paid by the church.

If the church does not provide a parsonage, a housing allowance should be calculated based on the median price of owner-occupied housing in the church's own community. The guidelines suggest that the housing allowance be set at 1% per month of the cost of that median priced home (e.g. if the median priced home is \$100,000, the annual housing allowance would be \$12,000).

For pastors provided a housing allowance, the cash salary plus the housing allowance will determine the **salary basis**. When a parsonage is provided, the salary basis will be understood to be 130% of the cash salary. This number is important because it is upon this figure that several other benefits, as well as the pastor's liability for Social Security tax, will be calculated.

## 3. Benefits

A full-time compensation package must include these benefits at minimum: retirement annuity, group life and disability insurance, a Social Security tax offset, health and dental insurance, vacation and days off, and provision for continuing education.

- a. **Retirement Annuity** The retirement annuity should be calculated at 14% of the salary basis (see note above).
- b. **Group Life and Disability Insurance** Group life and disability is provided through the UCC Pension Boards at a cost of 1.5% of the salary basis.
- c. **Social Security Offset** Because the IRS considers a pastor to be self-employed for purposes of Social Security (though not for purposes of income tax), the guidelines expect churches to provide an additional cash benefit equal to approximately half of the pastor's Social Security liability (the same percentage the church pays for other non-ordained employees). The Social Security offset should be calculated at 7.65% of the salary basis. For purposes of tax reporting, the Social Security offset must be reported as additional compensation on the pastor's federal W-2 form.

- d. **Health and Dental Insurance** The provision of health and dental insurance for the employee and family is a required part of the compensation guidelines. The Ottawa Table strongly recommends that the insurance provided be that of the UCC Pension Boards, though in some cases the employee may negotiate other arrangements. Whenever a church and/or pastor contemplates health insurance coverage from sources other than the Pension Boards it is **CRITICALLY IMPORTANT** that there be conversation with a conference staff person so the potential future risks of this decision are fully understood. The costs of UCC health and dental insurance are available upon request from the Conference and Association offices.
- e. **Vacation** The guidelines include the provision of 4 weeks of paid vacation for all clergy (for a local church pastor, 4 Sundays and the accompanying week days).
- f. **Holidays and Days Off** It is expected that clergy will be afforded the usual holidays enjoyed by the majority of other employed persons (including the provision that the pastor will take compensatory time when the holiday falls on a day requiring ministerial work). The guidelines also expect that the pastor will take the equivalent of two days off per calendar week, as do employees of most other organizations and businesses.
- g. **Continuing Education** Provision of time and financial support for continuing education should be a standard part of the compensation package. Typically two weeks are suggested.

#### 4. **Professional Expenses**

The guidelines also require that provision should be included in the church budget (and explicitly referenced in the call letter) for the reimbursement of expenses (mileage, books, meals, etc.) which the pastor incurs in the exercise of her/his ministry on behalf of the church. This reimbursement should NOT be considered additional compensation; instead, these expenses are part of the church's overall expenses of ministry, much like the heat bill and telephone. It is expected that mileage expenses will be reimbursed at the current IRS rate.

#### **Other Considerations**

It is important and expected that all particulars of the compensation package will be fully and explicitly detailed in the letter of call. Attending carefully to such a detailed agreement can and will serve to avoid misunderstanding and conflict in the future.

Though not part of the formal guidelines requirements, there are other items which should be considered for inclusion in the compensation package and specified in the call letter. Examples might include the provision of sabbatical, a housing equity allowance for pastors living in a parsonage, financial assistance (usually in the form of a loan) for clergy buying a home for the first time, maternity/paternity leave, etc. It is also helpful to include specific language about sick leave and the possibility of pastoral disability, as well as understandings about pastoral evaluation and agreed-on procedures should the church and pastor come into conflict.

It should be understood that these same guidelines apply to associate ministers and also to interim/transitional ministers, though in the case of interim/transitional ministers there are other considerations which apply. Please consult with your association minister about those considerations.

Many churches are uncertain how the pastor's compensation should be reported for purposes of federal and state taxation. Except in very rare instances, the IRS has made clear that for purposes of income tax liability the pastor is an employee of the church and MUST be provided a W-2 form, as are other employees (though as noted earlier, for purposes of Social Security taxation, the pastor is considered self-employed).

For more information about taxation and other compensation questions, please contact your association office.

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