

To: Pastors and Churches of the Illinois Conference United Church of Christ

Fr: The Ottawa Table (a collaboration of lay and clergy representatives from the five Association Church and Ministry Committees [or equivalent bodies] of the Illinois Conference UCC

2012 Guidelines for the Call and Support of Ministry Leadership

Introduction

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 *lay and clergy* representatives from each of the five Association Church and Ministry Committees (or equivalent bodies).

In establishing the guidelines, the Ottawa Table has sought to be mindful of several factors to consider in the process of setting clergy compensation, including:

- Attention to issues of justice. Jesus observed that the “laborer deserves to be paid” (Luke 10:7). Fair compensation for service rendered is not an optional matter; it is a matter of fairness and justice.
- Local economics and market forces. Though we are challenged not to be of the world, we are, nonetheless, in it. The laws of supply and demand operate in the realm of clergy compensation just as they do in other contexts. Pastors ought not be expected to live at a significantly different standard of living from those among whom they are called to live and serve.
- Principles of pastoral care. Just as every good pastor goes out of his/her way to provide effective and sensitive care to those in his/her congregation, so the congregation must understand that they have pastoral responsibility toward and for their pastor. One way to evidence that care is through the provision of sufficiently generous compensation so that the pastor need not be unduly troubled by the challenge of “making ends meet”.

[The guidelines are exactly that; they are guidelines. In a conference as large and diverse as the Illinois Conference, it is impossible for any single formula to account for all the varying economic and societal contexts of our churches.

Nonetheless, these 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 and compensation thereof. 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. Nevertheless, even when a pastor is employed at less than full-time, the compensation should still 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.

Compensation Guidelines

For a compensation package to be advertised or presented as “meeting conference guidelines” in the Illinois Conference, the package must, at minimum, include the following elements:

1. Cash salary, and
2. Housing, and
3. Benefits (specified economic and non-economic benefits); and,
4. Provision for the reimbursement of professional expenses (an amount that is not considered a part of pastoral compensation, but an expense the church bears for the ministry of the church to be accomplished).

1. Cash Salary

The base cash salary in 2012 for a pastor newly graduated from seminary \$32,770 (The Ottawa Table voted to increase the cash base salary for clergy compensation by 2%. The cash base salary for clergy has not been increased for the past two years as Cost of Living Adjustments (COLA) have not had an increase since 2009. [See *note at end of document.*]). 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+	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, particular responsibilities for which additional

compensation is thought appropriate, 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 housing allowance should 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 is \$1,000/month or \$12,000/year).

“Salary Basis”

The “salary” basis is the total of the cash salary and the housing allowance. When a parsonage is provided, the “salary basis” is 130% of the cash salary. This figure reflects the amount on which the pastor’s Social Security tax – as well as other benefits – is calculated.

3. Benefits

A full-time compensation package must include, at minimum, these benefits:

- a. **Retirement Annuity.** The retirement annuity is 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.** The IRS considers pastors to be self-employed for purposes of Social Security, though not for purposes of income tax. Therefore, churches should provide an additional cash benefit equal to one-half of the pastor's Social Security liability. This is the same percentage the church pays for other non-ordained employees. The Social Security offset is 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 pastor and his/her family is a required component of the compensation package. The Ottawa Table strongly recommends that the church provide insurance coverage through the UCC Pension Boards, although it recognizes that the pastor 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 (withdrawal from the UCC Pension Boards-issued insurance may prevent a pastor from rejoining that insurance plan at a later date). The costs of

UCC health and dental insurance are available upon request from the Conference and Association offices.

It is not uncommon for church members to question why the church pays the entire cost of health and dental insurance coverage for their pastor. It is true that employees in many other businesses and industries are expected to assume an increasing share of the cost of this benefit. The church has not followed this trend at least partly in recognition of the fact that ordained clergy are typically compensated at levels substantially lower than are other professionals with similar educational requirements. The provision of a fully paid health benefit is one way to acknowledge and partially compensate for this reality.

- e. **Vacation.** Four weeks of paid vacation for all clergy (for a local church pastor, 4 Sundays and the accompanying week days) is standard.
- f. **Holidays and Days Off.** Clergy are 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). 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 are standard to the compensation package. Typically two weeks are suggested.

4. Professional Expenses

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 heating and telephone bills. 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 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; and,

- maternity/paternity leave;
- sick leave and the possibility of pastoral disability;
- understandings about pastoral evaluation; and,
- agreed-on procedures should the church and pastor come into conflict.

Model Letters of Call which include the aforementioned considerations may be obtained from Association offices.

Criminal Background Checks

Since December 15, 2006, all persons circulating profiles are required to undergo the criminal background check provided by Oxford Document Management Company, at a cost of \$160. Local churches are responsible for reimbursing their called pastor the cost of the \$160 criminal background check.

Associate Pastors and Interim/Transitional Ministers

It should be understood that these same guidelines apply to associate ministers and to interim/transitional ministers; in the case of interim/transitional ministers, other considerations apply as well. Please consult with your Association Minister about those considerations.

Reporting of Pastoral Compensation

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.

NOTE: The Ottawa Table is a collaboration of lay and clergy representatives of the Church and Ministry Committees of the five Illinois Conference associations.

Note - Commentary on Cost of Living increase in Base Salary for 2012: Previous increases in clergy salary have matched the COLA increases. The committee discussed that projected COLA increases for 2012 are predicted to be over 3% but did not feel comfortable recommending that large of an increase given that many people in our churches remain unemployed or underemployed in a troubled economy.