

**Clergy Compensation Guidelines
2013 Process for Establishing
Compensation for Ordained Ministers and Licensed Ministers within the
Michigan Conference, United Church of Christ**

These Guidelines are most helpful when integrated with Call Agreement Workbook.

This format for Clergy salary guidelines builds upon guidelines that have been in place since 2001. In establishing the guidelines, the Personnel Committee of the Michigan Conference 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 to 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 Michigan 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.

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.

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 Conference Staff 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 as reflected in this document.

Additional considerations and assumptions informing these guidelines include:

- Consideration of Clergy salary guidelines from Midwestern Conferences similar in size and makeup to Michigan, with particular attention to the Conferences of the Great Lakes Region;
- Prior year Michigan Conference Guidelines and U.S. Bureau of Labor Statistics regarding the Consumer Price Index (CPI);
- Establishment of a recommended minimum salary (= Base Salary + Parsonage OR Housing Allowance) for newly ordained seminary graduates with no experience; and

- Factoring in both (a) years of ordained ministerial experience of the Pastor, and (b) the average worship attendance of the Congregation.

Congregations are encouraged to (a) add merit increases for special and unique skills, accomplishments, and training, as well as for academic work beyond the Master of Divinity degree; and (b) factor in experience, maturity, and skills from earlier work and life experience for “second career” Clergy.

A. CASH SALARY

Fair and just compensation for ministerial leadership should be reviewed by all parties involved, and to this end, Clergy Compensation Guidelines of the Michigan Conference are provided. The CASH SALARY is the amount of actual dollars paid to the Minister. Cash salary DOES NOT include housing, utilities, allowances, benefits, Social Security or reimbursable expenses. The Michigan Conference Clergy Compensation Guidelines are for all Clergy serving in local Congregations and institutions.¹

All Churches are urged to strive toward meeting these guidelines. If unable to do so immediately, Churches are encouraged to incrementally increase income until guidelines are met. Ministers serving Churches that pay less than the minimum Cash Salary, however, are encouraged to negotiate an arrangement with their Church which will allow them time to acquire supplemental income. Churches that have yet to meet the guidelines are encouraged to be in conversation with Association Church and Ministry Committee and Conference Staff to explore options.

Michigan Congregations are located in a wide variety of community settings, economic conditions, and financial resources. Congregations will find it helpful to gather and compare information related to the salaries of other community professionals with equivalent education and experience, for example: public school teachers and administrators, social and mental health workers, etc.

B. HOUSING

PARSONAGE PROVIDED – If the Church provides a Parsonage, utility costs and repairs should be provided. Pastors may also wish to explore tax benefits currently available in Parsonage furnishings plus housing allowance features.

EQUITY ALLOWANCE – A Church that provides its Pastor with a Parsonage may want to consider establishing a housing equity fund that would be payable upon retirement or at some other time in the future. The fund would accumulate according to the specific agreement during the active service of the Pastor and then be available in a variety of payment options

The Michigan Conference does not play a role in such plans other than suggesting use of pooled income of funds as the repository for Housing Equity Funds in the United Church Foundation, which is administered by the UCC Pension Boards.

HOUSING ALLOWANCE – If the Church provides a Housing Allowance, the allowance should be the equivalent of the fair rental value of reasonable and appropriately furnished (including utilities) housing in that community. This is in addition to base salary.

¹ See addendums I and II

C. REIMBURSED EXPENSES

PROFESSIONAL EXPENSES – Churches are expected to reimburse all professional expenses of Authorized Ministers.

AUTOMOBILE – Automobile expense is a Church business expense and should be compensated fully. Compensation may take one of several forms.

- a. Per mile allowance (as allowed by IRS guidelines)
- b. Provision of an automobile and payment of all expenses for Church use.
- c. Line item allowance based on past experience and future projections.
(Note that annual lump sum payments are now considered taxable income by IRS. Churches should check current IRS law. Information about current automobile expenses can be found at www.irs.gov web site.)

BUSINESS – Association, Conference, and Local Church business expenses should be paid by the Church. Ministers are expected to attend official Conference and Association meetings and should be encouraged also to serve in wider ministry settings—in the Association, Conference or National Settings. Such service should be considered part of both the Congregation’s and the Pastor’s ministry and mission. Such wider service is neither time off nor vacation. Expenses not reimbursed by the wider ministry setting should be reimbursed by the local Church.

MOVING EXPENSES – Commonly-accepted relocation expenses should be paid in full by the Church calling an ordained Minister. This is a Church expense and shall not be considered as salary. Relocation costs include the expense of home hunting trips, moving household goods, mileage for transporting automobiles, and meals and lodging enroute.

BACKGROUND CHECK – When Clergy prepare a profile, Clergy must pay for a background check before that profile can be circulated. When a Pastor is called to a new setting, the local Church is expected to reimburse the full cost of that background check to the newly called Pastor.

D. BENEFITS

SOCIAL SECURITY OFFSET – The Social Security Administration designates ordained Ministers as “self employed” persons who contribute at a rate of 15.3% in 2012. Churches are encouraged to pay the Pastor an employer portion of this annual tax at 7.65% (Salary and housing is to be used as the basis).

GROUP HEALTH, VISION AND DENTAL INSURANCE – It is not uncommon for Church members to question why the Church pays the entire cost of health, vision, and dental insurance coverage, excluding co-pays and deductibles, for their Pastor and family. 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 or prior work experience. The provision of a fully paid health benefit is one way to acknowledge and partially compensate for this reality.

Group health insurance is provided by the UCC Pension Boards. We recommend that Churches pay the full annual premium for family coverage.

LIFE INSURANCE AND DISABILITY INCOME BENEFIT PLAN – A UCC disability income and life insurance program should be provided at 1.5% of Salary “Basis.” Salary basis equals the cash base salary plus housing allowance or 130% of cash base if a parsonage is provided.

With the support of the Short-term Disability Plan, the Church will be responsible only for the first month of full salary and housing and 40% of salary and housing for months two through six. The remainder of salary and housing will be covered by the short-term disability policy. Long-term disability coverage begins after six months, and the church has no further financial responsibility.

ANNUITY – Annuity should be paid at 14% of Cash Salary and the Housing amount to the UCC Pension Board. If a Parsonage is provided, 30% of the total cash salary should be added for the basis upon which the annuity is paid (i.e. 130%). Additional contributions may be made if desired.

FLEXIBLE SPENDING ACCOUNT PLAN – Churches are encouraged to set up a Flexible Spending Account Plan either through the UCC Pension Boards or managed in the local Church. After an initial cost of setting up the plan, there is no expense to the Church, but a considerable tax advantage for the Pastor.

EDUCATIONAL MATERIALS AND CONTINUING EDUCATION – Churches are encouraged to provide time and financial assistance for study and continuing education for their Pastor, with a minimum of two weeks annually (other than vacation), an annual budget line item of 1% of the annual salary, and housing to assist with the costs of continuing education and resources.

PARENTAL LEAVE – Maternity/single parent leave with pay up to eight weeks and paternity leave following the birth/adoption of a child with full salary and benefits. An ordained Minister who is the parent of a newborn and/or newly adopted child or who is pregnant or a single parent may take, in addition to the paid leave, up to three months total leave, the last month of which is either accrued vacation time or leave without pay. Details of the leave should be negotiated and clearly expressed to the Congregation to avoid misunderstandings.

COMPASSIONATE LEAVE – Allowances must be made for the Pastor to be with his other immediate family at times of special celebration such as weddings or graduations and at times of personal emergency or unusual family responsibility. Paid personal leaves would normally be limited to a period of 5-7 days per year, except where compassion dictates further extension. These days are not accruable.

SICK LEAVE – Sick leave may be granted to ordained staff for personal illness or the illness of a dependent family member as defined by the local church governing board. It is recommended that one sick day for each month of the year, which can be accrued up to 30 days, with full salary, housing and benefits. In the event of serious and extended illness and/or disability an additional 60 days may be negotiated with the local church governing body in consultation with the Association Church and Ministry Committee and the Conference Staff, if requested (see the section on disability insurance).

MINISTER’S DEATH – In the case of the Minister’s death, it is recommended that the spouse and/or family receive full salary for the current month plus any vacation time earned, plus three additional months pay. The family shall be entitled to live in the Parsonage free of charge or have housing allowance up to 90 days. Further provisions may be made upon mutual agreement between the Church, the spouse/partner and/or family of the deceased Minister, and the Conference Minister and/or the Association Church and Ministry Committee.

SABBATICAL LEAVE – Continuous changes in modern day life, new needs and increasing demands upon the leadership of the church underscore the importance of continuing education for ministers. In

planning to meet this need, the Church would be recognizing what business and industry have long understood. Therefore, the Commission on the Ministry offers the following recommendation for consideration by the Churches:

1. After every five years of service and in anticipation of further ministerial tenure, the Minister be allowed and granted a three-month sabbatical with full pay for the purpose of renewal, professional study and growth. Local Churches are encouraged to pay 50% of the cost of tuition and other expenses—travel, board, lodging, etc. A sabbatical is not a vacation. During a sabbatical year, regular vacation time should also be allowed, either added to sabbatical time or taken separately.
2. In consultation with the Association Committee on Ministry, the Church should make provision for pulpit supply and pastoral care during sabbatical.

VACATION– Vacation time should be a minimum of one month per year, including four Sundays, and an additional week for every five years served in that local Church.

HOLIDAYS AND DAYS OFF – On average a Pastor works 45-55 hours per week or 12-14 units, a unit defined as being equal to a full morning, or afternoon, or evening.² Congregations and Pastors are encouraged to limit evenings (counseling, meetings) to three or less per week. It is expected that Ministers will be afforded the usual paid holidays afforded other employed persons (including the provision that they will take compensatory time when a holiday falls on a day requiring Pastoral work). It is also expected that Ministers will take the equivalent of two days off per week, as do employees of most other organizations and businesses. Sunday is a work day for Pastors.

ANNUAL HEALTH EXAM – Congregations in general and Pastoral Relations Committees in particular are encouraged to have their Pastor have an annual physical exam, which is covered by the UCC Health Plan.

MEDICARE – At age 65, when a Pastor goes on Medicare, the local Church is encouraged to pick up the cost of a Medicare Supplement Plan, which can be covered by the sharply lower premium of health insurance.

MALPRACTICE INSURANCE – The UCC insurance plan covers the Pastor for malpractice insurance. If the local church does not have UCC insurance plan, malpractice insurance is to be provided for the Pastor.

COLLEGIAL TIME – Clergy retreats, ministerial meetings, support groups, mission trips, continuing education, Church camp, and sabbatical leave are not to be considered as vacation time. Authorized Ministers and are expected to participate in the work of the wider Church in the Association, Conference and National Setting, which is not vacation time.

WORKER’S COMPENSATION – Congregations are encouraged to cover their Pastoral staff with Workers Compensation Insurance as they are required to do by state law for lay employees.

² Churches that 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. See addendum II to prorate your Pastor and Congregations situation. **See updated information in Call Agreement Workbook*

E. WORKING TOGETHER FOR EFFECTIVE MINISTRY

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

PASTORAL RELATIONS COMMITTEE – A small committee of three to seven persons is given the specific job of nurturing the Minister, the relationship between the Minister and the Congregation, and clarifying the role of the Minister. Such care can build the trust and communication necessary to deal effectively with inevitable tensions or conflicts that arise. Training for the PRC is available from the Michigan Conference staff persons.

ANNUAL REVIEW OF COMPENSATION – An important task for the Church, either by the personnel committee or some other designated committee, is an annual review of the Minister's compensation. The review should be an open and caring conversation allowing the Minister to express changing needs or expectations. An annual increase of cash 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 Minister and Congregation.

MINISTRY REVIEW – Any planned review of ministerial performance needs to be done at a time sufficiently distant from annual compensation review to avoid linking the two. Performance reviews should be undertaken only when its purpose is clear, and only if there are not immediate tensions in the relationship between Minister and Congregation. Such purposes might be to clarify Congregational goals and objectives, to assess the Minister'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 Minister's performance. Deficiencies in performance by one party can seriously impede effectiveness by the other. Information on Ministry evaluation is available from Conference staff.

It is understood that the Conference Minister and/or the Associate Conference Minister(s) and the Association Church and Ministry Committee shall be consulted at the request of either the Minister or the Congregation, should the relationship between them be strained or in jeopardy.

NOTE:

It is understood that the Minister is to have freedom of expression of the pulpit in matters of faith and ethics according to the dictates of the Word of God, the work of the Holy Spirit, the traditions of the United Church of Christ and the realities of the world.

MULTIPLE STAFF AND SUPPORT STAFF PERSONNEL³

All conditions described in this document pertaining to ordained Senior Ministers pertain equally to ordained Associate, Assistant Ministers and Licensed Ministers. Appropriate compensation for Associate, Assistant or Licensed Ministers may vary due to the scope of their responsibilities, ministerial training, education and experience. No ordained Minister should be expected to serve for less than the minimum Conference-recommended salary.

Program and office support staff should receive fair and equitable salaries and benefits in accordance with their responsibilities, training and experience.

³ See addendum A

BEGINNING THE NEW YEAR

It is recommended that at the beginning of each New Year with the governing board of your Church and Pastoral Relations Committee, *The Ordained Minister's Code* be read aloud. It is further recommended *The Local Church in Relation to its Pastor* also be read aloud. Reading these documents will demonstrate the seriousness of this covenant commitment between the Pastor and the Congregation, and the Congregation and the Pastor. For some this will be new information. For others, this will be a reminder of the covenant commitment made when your Pastor was called to serve your local Church.

Resources:

The Michigan Conference website lists a template of a Call Agreement that can be used by local churches when calling a new Pastor and Teacher: <http://www.michucc.org/index.php/resource>

The Michigan Conference, United Church of Christ employs a Business Manager. Bob Heisler can be very helpful with any questions regarding the financial aspects of clergy call agreements, UCC benefits, and standard practices. (517)-332-3511 ext. 203.

The Pension Boards United Church of Christ publishes an annual Clergy Tax Guide that can not only assist with tax return preparation but can also serve as a resource for churches in determining particular clergy benefits and their tax implications. For this and many other tax related information, please go to: http://www.pbucc.org/interior_art.asp?id=2012_Tax_Resources

Additional Resources:

- Hammar, Richard R., Church and Clergy Tax Guide (Updated Annually) Christian Ministries Publications, Greensboro, NC
- Worth, B.J., Income Tax Guide for Ministers and Religious Workers, World Publishing, Iowa Falls, Iowa.
- Holk, Manfred, Handbook of Personal Finance for Ministers, Church Management, Inc. Austin, TX.
- Internal Revenue Service, Publication 517, Social Security for Clergy and Religious Workers. <http://www.irs.gov/>
- Parish Life and Leadership in Local Church Ministries, UCC: The Pastoral Relations Committee
- Darnley, Carol .Clergy Taxes and Compensation
- Alban Institute, Sabbatical Planning
- Hudson, Jill, When Better Isn't Enough: Evaluation Tools for the 21st Century Church, Alban Institute
- McMahill, David, Completing the Circle: Reviewing Ministries in the Congregation, Alban Institute

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