

**Penn Northeast Conference
United Church of Christ**

COMPENSATION GUIDELINES

for

AUTHORIZED PARISH MINISTERS

and

DIRECTORS OF CHRISTIAN EDUCATION AND YOUTH

2016

Published by ...

**Penn Northeast Conference
of the
United Church of Christ**

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2016 Health and Dental Rates

Standard

Non-Medicare Rates	Age: Under 25	Age: 25-29	Age: 30-34	Age: 35-39	Age: 40	Age: 40+	Dental All Ages
Single	\$3,204	\$4,944	\$5,310	\$4,851	\$6,864	\$9,153	\$489
Two Adults	\$6,360	\$9,810	\$10,536	\$9,630	\$13,626	\$18,168	\$945
Single w/ Child(ren)	\$6,255	\$9,651	\$10,365	\$9,471	\$13,404	\$17,871	\$960
Two Adults w/Child(ren)	\$6,849	\$10,566	\$11,349	\$10,371	\$14,676	\$19,569	\$1,080

Plan B

Non-Medicare Rates	Age: Under 25	Age: 25-29	Age: 30-34	Age: 35-39	Age: 40	Age: 40+	Dental All Ages
Single	\$2,730	\$4,212	\$4,524	\$4,134	\$5,850	\$7,800	\$489
Two Adults	\$5,475	\$8,448	\$9,075	\$8,292	\$11,733	\$15,645	\$945
Single w/ Child(ren)	\$5,388	\$8,310	\$8,925	\$8,157	\$11,544	\$15,390	\$960
Two Adults w/Child(ren)	\$5,778	\$8,916	\$9,576	\$8,751	\$12,381	\$16,509	\$1,080

Plan C

Non-Medicare Rates	Age: Under 25	Age: 25-29	Age: 30-34	Age: 35-39	Age: 40	Age: 40+	Dental All Ages
Single	\$2,205	\$3,402	\$3,654	\$3,339	\$4,725	\$6,300	\$489
Two Adults	\$4,425	\$6,828	\$7,335	\$6,702	\$9,483	\$12,645	\$945
Single w/ Child(ren)	\$4,359	\$6,726	\$7,224	\$6,603	\$9,342	\$12,456	\$960
Two Adults w/Child(ren)	\$4,659	\$7,188	\$7,719	\$7,056	\$9,984	\$13,311	\$1,080

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INTRODUCTION

This booklet provides a complete listing of what the current PNEC Ministerial Compensation Committee has established as the *minimum Conference guidelines* for financial compensation for authorized parish clergy for the year 2016.

The term “authorized clergy” refers to ordained and licensed ministers; for commissioned ministers, consult the section dealing with Directors of Christian Education and Youth.

Our booklet deals primarily with compensation for ordained ministers who are installed and working full time, but guidelines for associate/assistant ministers, part time ministers, interim ministers, stated supply ministers, Sunday supply ministers, and licensed ministers are also discussed in the latter half of this booklet. There are also some general guidelines for financial compensation for Directors of Christian Education and Youth.

AN OVERVIEW OF CONFERENCE GUIDELINES

Minimum guidelines for pastoral compensation involves a number of discrete components (see the sample “Installed Ministry Covenant--Short Form” at the end of the booklet), including financial support ...

- for a **basic salary**
- for the cost of affordable **housing**
- for four basic **benefit** items:
 - ⇒ *Pension*
 - ⇒ *Life & Disability Plan*
 - ⇒ *Social Security Offset*
 - ⇒ *Health/Dental Insurance*

Basic Salary and **Housing Allowance** for ordained and licensed ministers vary according to two criteria: years of experience in authorized ministry and the size of the congregation being served. But there are other factors that a church-employer might wish to consider in providing a compensation package for its pastor: advanced educational attainment, the cost of living in the neighborhood of the church, the number of staff persons working at the church, and the level of compensation offered at similar ministry settings.

The expression *minimum Conference guidelines* is the dollar amount commensurate with “Total Salary and Benefits”—i.e., the dollar figure given at the bottom of the first compensation page. In addition, it is strongly encouraged that churches and pastors to enter into a good faith negotiation of the additional benefits and professional reimbursements” which are listed on the Installed Minister’s Covenant Form available from the Conference Office.

The categories of **Basic Salary** and **Housing** are fixed for *minimum Conference guidelines* purposes. Fixed as well are the *Pension, Life & Disability Plan,* and *Social Security* items in the **Benefits** section.

However, the fourth **Benefits** component (*Health & Dental Insurance Plan*) is adjustable relative to clergy family size and need. In this case *Conference guidelines* are deemed to have

been met if the church, for its pastor and any immediate family members who also need insurance coverage, pays either the full premium for the Standard Plan of the designated UCC insurer, or makes an equivalent level of investment (in terms of benefits received) with a comparable insurer.

For example, *if* a pastor with (or without) a family receives partial or complete coverage for health and dental services either through an alternative health/dental plan or through the his/her spouse's/partner's plan, then the pastor's church-employer will only be expected to pay for that portion of health/dental coverage not covered by the non-UCC plan that would bring the pastor's (and family's) coverage up to UCC standards.

In a situation where the pastor is married to another pastor, the church-employers of both pastors may want to share the cost of the ***Health & Dental Insurance Plan*** coverage. This too meets Conference *guidelines*.

While the Standard Plan offered by Highmark Blue Cross/Blue Shield specifically for UCC clergy is the only plan meeting *minimum* Conference *guidelines*, it is acknowledged that the Pension Boards also offers less expensive Plans B and C (and with diminished benefits, of course). To obtain more information about these alternative plans, go to:

http://www.pbucc.org/documents/Non-Medicare%20Highlights%202012_02222012_WEB.pdf#zoom=50 .

Please understand that these figures are only *guidelines* for local churches and their authorized ministers. They are not a required minimum or a required maximum level of compensation. They represent an appropriate point of departure in determining a fair level of compensation for your authorized ministry staff person(s).

OTHER IMPORTANT BENEFITS AND PROFESSIONAL REIMBURSEMENTS

We also strongly believe that these items should be negotiated:

- REASONABLE COST FOR MOVING EXPENSES
- SABBATICAL LEAVE OF TWO-THREE MONTHS AFTER FIVE YEARS SERVICE
- CONTINUING EDUCATION FUNDING
- FOUR WEEKS OF PAID VACATION PER ANNUM
- MATERNITY/PATERNITY LEAVE
- PAYMENT FOR ALL APPROVED PROFESSIONAL EXPENSES, INCLUDING TRAVEL REIMBURSEMENT
- EQUITY ALLOWANCE
- ALL PNEC MEETING EXPENSES

These items are discussed in the back portion of this booklet.

NO CHANGE IN SALARY LEVELS FROM 2015 TO 2016

Due to the fact that the CPI-W figures released by the United States Department of Labor in July 2015 showed a slight **decrease** in inflation in this region for the preceding year, the salary guidelines for **2016 will remain the same as 2015**.

ADDITIONAL THINGS TO KNOW AND THINK ABOUT

One thing that should be considered “non-negotiable” for a church in covenantal relationship with the Penn Northeast Conference is that it will pay for the cost of the Nationwide Criminal Background Check for the person whom it calls as its new minister. This expense, born by the minister as a necessary cost in order to be able to submit a professional UCC profile to churches seeking a new pastor, is normally born by employers.

SOME CORE COMMITMENTS

Working Conditions: The church should provide competent support staff as well as suitable office space and equipment to facilitate the pastor’s work. In arranging office space, consideration should be given to the pastor’s need for study, counseling, and administration. It is also important that the church see that the pastor’s office is easily accessible to all persons.

Job Description: It is to the mutual advantage of both pastor and congregation to have a written position description (covenant) and a written contract (terms of call). This will help clarify mutual expectations.

Evaluation of the Church’s Ministry: A regular evaluation of the church’s ministry, including staff, is important for the health of the church. Two helpful resources the Conference Resource Center can share with you are: *Completing the Circle: Reviewing Ministries in the Congregation* by David McMahill, and *When Better Isn’t Enough: Evaluation Tools for the 21st Century Church* by Jill M. Hudson.

Increasing Compensation Sensibly: You will notice that in some cases the increase in recommended salary/housing from the first “Experience” column (0-3 Yrs) to the second (4-10 Yrs), and from the second to the third (over 10 Yrs), is rather substantial. Sometimes churches find it difficult to budget such a dramatic increase in just one year’s time. To ease the burden of such a jump, you might want to consider gradually raising the salary/housing figure each year until it gently lands at the next recommended level within the designated time frame.

Rewarding Experience: The second suggestion involves supporting a pastor who has faithfully served the Church for many years beyond the specified ten-year period. Since there is no “Experience” column beyond this mark, you might want to consider a *merit* raise for the pastor at significant anniversary intervals, such as the fifteen, twentieth, twenty-fifth, etc., years – particularly if that pastor has served your own congregation for many of those years. It would be reasonable to consider that a pastor who has effectively served a church for, say, twenty years be compensated more than a pastor with only ten years’ experience.

**2016 Compensation Guidelines
for PNEC Churches & Authorized
Clergy**

Churches with a Parsonage		Membership: Up to 300 Experience in Ordained Ministry*		
		0-3 Yrs.	4-10 Yrs.	Over 10 Yrs.
Salary		\$36,972	\$38,857	\$40,494
Value of Parsonage		<u>\$15,155</u>	<u>\$15,926</u>	<u>\$16,599</u>
Total		\$52,127	\$54,783	\$57,093
 <i><u>Benefits</u></i>				
Pension (.14)		\$7,298	\$7,670	\$7,993
Life & Disability (.015)		\$782	\$822	\$856
Social Security (.08)		\$4,170	\$4,383	\$4,567
Health/Dental **		<u>\$19,113</u>	<u>\$19,113</u>	<u>\$19,113</u>
Total for Benefits		\$31,363	\$31,987	\$32,530
 <hr style="border-top: 3px double #000;"/>				
Total Salary & Benefits		\$68,335	\$70,844	\$73,024

*Experience as used in this table refers to actual years of experience in authorized ministry whether in a parish or nonparish setting. It does not normally include years devoted to one's previous ministerial education or seminary training.

**2016 Health & Dental Non-Medicare Standard Plan rate for two adults over age 41 and no children.

**2016 Compensation Guidelines
for PNEC Churches & Authorized
Clergy**

**Churches with a Parsonage Membership: 301 to 500
Experience in Ordained
Ministry***

	0-3 Yrs.	4-10 Yrs.	Over 10 Yrs.
Salary	\$37,478	\$41,873	\$46,775
Value of Parsonage	<u>\$15,360</u>	<u>\$17,164</u>	<u>\$19,174</u>
<i>Total</i>	\$52,838	\$59,037	\$65,949
 <i>Benefits</i>			
Pension (.14)	\$7,397	\$8,265	\$9,233
Life & Disability (.015)	\$793	\$886	\$989
Social Security (.08)	\$4,227	\$4,723	\$5,276
Health/Dental**	<u>\$19,113</u>	<u>\$19,113</u>	<u>\$19,113</u>
<i>Total for Benefits</i>	\$31,530	\$32,987	\$34,611
 <hr/> <hr/>			
<i>Total Salary & Benefits</i>	\$69,008	\$74,860	\$81,386

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**2016 Health & Dental Non-Medicare Standard Plan rate for two adults over age 41 and no children.

**2016 Compensation Guidelines
for PNEC Churches & Authorized
Clergy**

**Churches with a Parsonage Membership: 501 to 750
Experience in Ordained
Ministry***

	0-3 Yrs.	4-10 Yrs.	Over 10 Yrs.
Salary	\$38,106	\$45,014	\$53,180
Value of Parsonage	<u>\$15,618</u>	<u>\$18,451</u>	<u>\$21,799</u>
Total	\$53,724	\$63,465	\$74,979
 <i><u>Benefits</u></i>			
Pension (.14)	\$7,521	\$8,885	\$10,497
Life & Disability (.015)	\$806	\$952	\$1,125
Social Security (.08)	\$4,298	\$5,077	\$5,998
Health/Dental **	<u>\$19,113</u>	<u>\$19,113</u>	<u>\$19,113</u>
Total for Benefits	\$31,738	\$34,027	\$36,733
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Total Salary & Benefits	\$69,844	\$79,041	\$89,913

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**2016 Health & Dental Non-Medicare Standard Plan rate for two adults over age 41 and no children.

**2016 Compensation Guidelines
for PNEC Churches & Authorized
Clergy**

**Churches with a Parsonage Membership: 751 to 1000
Experience in Ordained
Ministry***

	0-3 Yrs.	4-10 Yrs.	Over 10 Yrs.
Salary	\$38,352	\$46,775	\$56,457
Value of Parsonage	<u>\$15,721</u>	<u>\$19,174</u>	<u>\$23,140</u>
Total	<u>\$54,073</u>	<u>\$65,949</u>	<u>\$79,597</u>
 <i>Benefits</i>			
Pension (.14)	\$7,570	\$9,233	\$11,144
Life & Disability (.015)	\$811	\$989	\$1,194
Social Security (.08)	\$4,326	\$5,276	\$6,368
Health/Dental **	<u>\$19,113</u>	<u>\$19,113</u>	<u>\$19,113</u>
Total for Benefits	<u>\$31,820</u>	<u>\$34,611</u>	<u>\$37,818</u>
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Total Salary & Benefits	\$70,172	\$81,386	\$94,275

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**2016 Health & Dental Non-Medicare Standard Plan rate for two adults over age 41 and no children.

**2016 Compensation Guidelines
for PNEC Churches & Authorized
Clergy**

		Churches with a Parsonage Membership: Above 1000		
		Experience in Ordained Ministry*		
		0-3 Yrs.	4-10 Yrs.	Over 10 Yrs.
Salary		\$38,598	\$48,413	\$60,225
<i>Value of Parsonage</i>		<u>\$15,821</u>	<u>\$19,845</u>	<u>\$24,685</u>
	<i>Total</i>	\$54,419	\$68,258	\$84,910
<i><u>Benefits</u></i>				
	Pension (.14)	\$7,619	\$9,556	\$11,887
	Life & Disability (.015)	\$816	\$1,024	\$1,274
	Social Security (.08)	\$4,354	\$5,461	\$6,793
	Health/Dental **	<u>\$19,113</u>	<u>\$19,113</u>	<u>\$19,113</u>
	Total for Benefits	\$31,901	\$35,154	\$39,067
<hr/>				
	Total Salary & Benefits	\$70,499	\$83,567	\$99,292

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**2016 Health & Dental Non-Medicare Standard Plan rate for two adults over age 41 and no children.

**2016 Compensation Guidelines
for PNEC Churches & Authorized
Clergy**

	Churches with a Housing Allowance		Membership: Up to 300 Experience in Ordained Ministry*	
	0-3 Yrs.		4-10 Yrs.	Over 10 Yrs.
Salary & Housing		\$52,127		\$54,783
<i>Benefits</i>				
Pension (.14)		\$7,298		\$7,670
Life & Disability (.015)		\$782		\$822
Social Security (.08)		\$4,170		\$4,383
Health/Dental **		<u>\$19,113</u>		<u>\$19,113</u>
Total for Benefits		\$31,363		\$31,987
<hr/>				
Total Salary & Benefits		\$83,490		\$86,770
				\$89,623

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**2016 Health & Dental Non-Medicare Standard Plan rate for two adults over age 41 and no children.

**2016 Compensation Guidelines
for PNEC Churches & Authorized
Clergy**

	Churches with a Housing Allowance Membership: 301 to 500		
	Experience in Ordained Ministry*		
	0-3 Yrs.	4-10 Yrs.	Over 10 Yrs.
Salary & Housing	\$52,838	\$59,037	\$65,949
<i>Benefits</i>			
Pension (.14)	\$7,397	\$8,265	\$9,233
Life & Disability (.015)	\$793	\$886	\$989
Social Security (.08)	\$4,227	\$4,723	\$5,276
Health/Dental **	<u>\$19,113</u>	<u>\$19,113</u>	<u>\$19,113</u>
Total for Benefits	<u>\$31,530</u>	<u>\$32,987</u>	<u>\$34,611</u>
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Total Salary & Benefits	\$84,368	\$92,024	\$100,560

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**2016 Health & Dental Non-Medicare Standard Plan rate for two adults over age 41 and no children.

**2016 Compensation Guidelines
for PNEC Churches & Authorized
Clergy**

	Churches with a Housing Allowance Membership: 501 to 750		
	Experience in Ordained Ministry*		
	0-3 Yrs.	4-10 Yrs.	Over 10 Yrs.
Salary & Housing	\$53,724	\$63,465	\$74,979
<i>Benefits</i>			
Pension (.14)	\$7,521	\$8,885	\$10,497
Life & Disability (.015)	\$806	\$952	\$1,125
Social Security (.08)	\$4,298	\$5,077	\$5,998
Health/Dental **	<u>\$19,113</u>	<u>\$19,113</u>	<u>\$19,113</u>
Total for Benefits	\$31,738	\$34,027	\$36,733
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Total Salary & Benefits	\$85,462	\$97,492	\$111,712

*Experience as used in this table refers to actual years of experience in authorized ministry whether in a parish or nonparish setting. It does not normally include years devoted to one's previous ministerial education or seminary training.

**2016 Health & Dental Non-Medicare Standard Plan rate for two adults over age 41 and no children.

**2016 Compensation Guidelines
for PNEC Churches &
Authorized Clergy**

	Churches with a Housing Allowance Membership: 751 to 1,000		
	Experience in Ordained Ministry*		
	0-3 Yrs.	4-10 Yrs.	Over 10 Yrs.
Salary & Housing	\$54,073	\$65,949	\$79,597
<i>Benefits</i>			
Pension (.14)	\$7,570	\$9,233	\$11,144
Life & Disability (.015)	\$811	\$989	\$1,194
Social Security (.08)	\$4,326	\$5,276	\$6,368
Health/Dental **	<u>\$19,113</u>	<u>\$19,113</u>	<u>\$19,113</u>
Total for Benefits	\$31,820	\$34,611	\$37,818
<hr/>			
Total Salary & Benefits	\$85,893	\$100,560	\$117,415

*Experience as used in this table refers to actual years of experience in authorized ministry whether in a parish or nonparish setting. It does not normally include years devoted to one's previous ministerial education or seminary training.

**2016 Health & Dental Non-Medicare Standard Plan rate for two adults over age 41 and no children.

**2016 Compensation Guidelines
for PNEC Churches &
Authorized Clergy**

	Churches with a Housing Allowance Membership: Above 1,000		
	Experience in Ordained Ministry*		
	0-3 Yrs.	4-10 Yrs.	Over 10 Yrs.
Salary & Housing	\$54,419	\$68,258	\$84,910
<i>Benefits</i>			
Pension (.14)	\$7,619	\$9,556	\$11,887
Life & Disability (.015)	\$816	\$1,024	\$1,274
Social Security (.08)	\$4,354	\$5,461	\$6,793
Health/Dental **	<u>\$19,113</u>	<u>\$19,113</u>	<u>\$19,113</u>
Total for Benefits	\$31,901	\$35,154	\$39,067
Total Salary & Benefits	\$86,320	\$103,412	\$123,977

*Experience as used in this table refers to actual years of experience in authorized ministry whether in a parish or nonparish setting. It does not normally include years devoted to one's previous ministerial education or seminary training.

**2016 Health & Dental Non-Medicare Standard Plan rate for two adults over age 41 and no children.

ANNUAL REVIEW

Each year there should be a review of the goals, achievements and salary or salaries of the minister(s). A church council or consistory may well consider delegating this review to its Pastoral Relations Committee or preferably a Personnel Committee charged with the broader responsibility of reviewing the compensation packages of all employees of the church. The Conference office has resources to assist in the development of a regular review process (610-826-3113).

ASSOCIATE/ASSISTANT MINISTER

It is recommended that an Associate Minister be compensated according to the salary guidelines contained in this booklet. In most cases, the Associate Minister may have significant fewer years experience and therefore the salary will be less than the senior pastor's.

CONTINUING EDUCATION

Churches are encouraged to grant their pastors two weeks study leave, including weekends, each year. An allowance of up to \$1,000 a year should be budgeted to cover continuing education expenses. Continuing education time should not be considered vacation.

DAYS OFF

Churches should grant, and pastors take, one and a half to two days off each week.

DEATH

In case of clergy death, churches should provide salary, housing, and all benefits to the spouse and/or family for three months. Continued use of the parsonage and other expenses, such as moving, should be considered on an individual basis in consultation with Conference Staff.

DIRECTORS of CHRISTIAN EDUCATION and YOUTH

Based upon a survey of Christian Educator and Youth Directors in PNEC congregations in 2014 (some of whom are Commissioned Ministers), it was determined that the average hourly compensation rate for the ten persons who returned the survey was \$13.77 per hour. The highest rate was \$16.14 per hour and the lowest rate was \$10.54 per hour.

EQUITY ALLOWANCE

An equity allowance is not a housing allowance. The two different types of allowance should not be confused. For clergy living in a parsonage, an equity allowance can be set aside for future use of not less than 5% or more than 10% of cash salary.

In the decades of the 70s and 80s and due in part to the impact of inflation, the gap between the financial assets of pastors in parsonages and those who owned their own homes expanded dramatically. House-owning clergy were building equity far in excess of the net worth of pastors living in parsonages (everything else being equal).

At death, disability or retirement, a pastor's family—house-wise—is basically on its own. And after a lifetime of "renting" parsonages, this family may have insufficient assets to purchase even a very modest home. The pastor who owns a house, on the other hand, is building equity for her/his retirement. It would be nice then to try to help pastors living in parsonages all of their lives to accumulate a modest amount of equity, which can be used to provide their own housing in retirement.

There is no question that an equity allowance adds to the congregation's cost for having a pastor. It is an additional payment (additional taxable income) to the pastor intended to be accumulated toward funding retirement housing. Because an equity allowance is additional compensation, it is taxable income.

It is suggested that the pastor and the congregation agree on a depository with the condition that the funds deposited be available to the pastor only at retirement, disability, the sale of the parsonage, the purchase of a home by the pastor, or to the heirs in the event of the pastor's death. It will be desirable to agree further that the depository be changed upon relocation of the pastor but that the fund and the restrictions on its use be continued.

The mechanics for funding an equity allowance should be as simple as possible. It is suggested a financial advisor be consulted to help both the pastor and congregation develop a plan.

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 and lay workers. Aside from a modest initial set-up fee, making this Account available does not have a cost to the local church inasmuch as it is funded by the employee'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.

HEALTH and DENTAL INSURANCE PLANS

Health insurance rates are determined yearly and provided by the Pension Boards. It is recommended that the minister and lay workers participate in and the church support the denomination's health insurance plan for these reasons:

1. Participation by more churches is conducive to better coverage per premium and,
2. The denominational plan possesses portability; i.e. if a participant moves to another Conference, he/she and the family can be assured of continuous coverage irrespective of the state of their health at the time.

Caution! With health insurance rates rising sharply, a common temptation is to "jump" to a competitive health insurance plan affording approximately equal coverage but at a lower rate. To do so is hazardous! If after departing the Pension Board's plan the participant or any member of his/her family develops an adverse medical history, he/she may encounter difficulty in obtaining adequate health insurance again.

The Standard Plan provided by the Pension Boards is recommended, although it is recognized that the church and pastor may have to negotiate to have the pastor pick up part of the cost of the policy.

It is also recommended that the minister and lay workers participate in and the church support the denomination's dental insurance plan. The annual premium is a modest amount, based on persons covered (single or family). The coverage is portable in the same manner as the health insurance plan.

HOUSING

Churches that do not provide a parsonage are encouraged to provide a housing allowance based on local conditions and to cover fair rental value plus utilities and a furnishings allowance.

The Internal Revenue Code (IRS) stipulates that the fair rental value of the parsonage is not taxable income, nor is a cash housing allowance taxable income to the extent it is used to provide for housing.

Tax benefits to clergy can be significant when housing is provided; however, they are generally greater when a housing allowance is provided rather than a parsonage. All pastors receive at least the tax benefit of not including in taxable income the rental value of the parsonage or the housing allowance to the extent used. But a good understanding of the use of a housing allowance may generate even greater tax benefits.

The housing allowance is largely tax deductible. It is not included as income but it is fully taxable for social security purposes. Revenue rulings issued by the IRS state that the maximum housing allowance

which clergy may receive and exclude is the fair market value of the home, furnished, plus the cost of utilities. Then, to the extent that such an allowance is spent, it is excluded from taxable income.

Whether a congregation chooses to offer a parsonage and/or housing allowance is a complex question. It cannot be said that every pastor must have a parsonage or that every pastor should own a home. It is not that simple. Many pastors simply cannot afford to buy a home. In that case, a parsonage must be available or a housing allowance provided for renting a house. But with help from the congregation, a pastor could purchase a home. Legal counsel can easily work out the procedure for such a purchase.

Pastors in a parsonage may also receive a housing allowance. Where furnishings are the pastor's responsibility, even in the parsonage, an allowance equal to the rental value of the furnishings is appropriate. Then, to the extent that the allowance is used for any costs at the parsonage not reimbursed, i.e. repairs, furniture, etc. it is excludable. Utilities may also be paid from such an allowance, although it is best for the congregation to pay those costs directly. An annual furnishings allowance (not to exceed the fair rental value of just the furnishings) could save the pastor in income tax. Any unused allowance is always taxable income. Any over expenditure of the allowance is never deductible.

INTERIM MINISTER

It is recommended that an interim minister be compensated consistent with the preceding salary tables. Necessary adjustments should be made for such variables as the number of hours worked and any pension that a retired minister might already be receiving. In the case of one making a career of interim ministry, consideration must also be given to the usual range of fringe benefits—especially the 14% recommended contribution to the annuity fund.

LICENSED MINISTER

It is recommended that the salary package (salary, housing, and benefits) for a Licensed Minister be at the rate of two-thirds of the PNEC Compensation Guidelines (for ordained clergy), for the same years of experience and size of congregation.

LIFE and DISABILITY PLAN

The Life Insurance and Disability Income Benefits Plan is designed to support UCC employees in performing their ministries for the church. The Plan provides benefits in the event of death or disability. The Plan has four key parts:

1. a life insurance benefit program
2. a program of additional voluntary life insurance
3. a short-term disability program that can replace a portion of income for up to 22 weeks; and,
4. a long-term disability program that can replace a portion of income when disability continues beyond the 22-week period.

After being unable to work for 30 days, an eligible employee can receive short-term disability benefits for a period of 22 weeks. For the first 30 days, the employer should continue to provide compensation and all other benefits. After the 30-day period (referred to as the "waiting period"), disability benefits begin and the employee will no longer receive any compensation from the church. If the employee is paid, that amount will be deducted dollar for dollar from the short-term disability benefit. All other benefits: premiums for the Life and Disability Benefit Plans, premiums for the health and dental plans, and contributions to the annuity fund, will continue for the period during which the employee is receiving short-term disability benefits (maximum 22 weeks).

If the employee is still disabled after the 22-week period, and has been approved to receive Long Term Disability benefits, the church is no longer responsible for premium payments or annuity dues. These will be covered as follows:

1. 7% of pre-disability salary basis will be contributed to the employee's Annuity Fund by MetLife.
2. If the employee was participating in the UCC Health/Dental Plans at the start of disability, the Pension Boards will pay the premiums for the length of time that the employee is receiving Long Term Disability benefits.

3. Premiums for the basic Life Insurance and Disability Benefit Plan will be paid the Pension Boards for clergy. Lay employees will be billed on a personal basis at 0.75% of the pre-ability salary basis until a premium waiver is received from MetLife.
4. Employees (clergy and lay)

Complete details of the Life and Disability Plan are contained in a booklet published by the Pension Boards.

MEDICARE

When a minister becomes eligible for Medicare, it is recommended his/her church pick up the supplemental cost of Medicare. The cost of this supplemental premium is much less than the cost of health care premiums for younger clergy not yet eligible for Medicare.

OFFICIAL PNEC MEETINGS

It is to the advantage both of the pastor and of his/her church that (s)he participate in the Annual Meetings and other official gatherings of the Conference. Since this is a "professional expense," it is expected that the church will assume responsibility for this outlay.

PARENTAL LEAVE

Provisions should be made for female pastors, at the birth of a child, for a two to three month maternity leave at full salary and benefits. A male pastor should be encouraged to take at least two weeks paternity leave at full salary and benefits. Pastors should be provided at least two weeks leave at full salary and benefits at the time of an adoption. In all instances, flexibility should be allowed for up to six months during this important time of family adjustment and change.

PART-TIME MINISTER

In some cases, a pastor is employed for less than full time. As a way of arriving at a just level of compensation, we recommend the following procedure:

1. Using the Compensation Guidelines, determine what the full time compensation would be for this position (taking into account years of service, size of church, pension, health insurance, disability, continuing education, social security, etc.).
2. Then multiply that compensation figure by the percentage of time (relative to full time employment) you have agreed to designate for this particular position. The dollar figure obtained thereby is what you should pay your pastor. *(For example: If this is a half-time position, multiply the compensation as set forth above by 0.5. You should pay the pastor exactly half of what the full time Guidelines call for.)*
3. Negotiate with the pastor about how the compensation will be allocated to provide the best options for that person's tax status, insurance needs, etc. *(Example: The person may choose to designate a substantial portion as housing allowance since that is a tax-deductible item for clergy)*

PENSION

Since clergy are professional employees of the local church, each church should recognize its immediate and social responsibility to contribute to a plan for their eventual retirement. Therefore, it is recommended that the local church deposit quarterly with the Pension Boards of the United Church of Christ an amount which annually equates to 14% of the participant's salary "basis." *(For clergy, salary basis is the cash or base salary plus housing allowance. When a parsonage is provided rent free, salary basis is the value of the parsonage plus the base salary.)* The reason for the 14% figure is that it enables the pastor *in retirement* to receive 75% of his/her most recent and highest income, when Social Security is added in.

It should also be noted that General Synod XXV passed a resolution "in support of fair and just compensation for lay employees of the UCC," calling on "UCC employers to commit to providing lay employees an annual contribution toward retirement of no less than three percent of compensation."

PERSONAL/COMPASSIONATE LEAVE

Allowance should be made for the pastor to be with his or her immediate family at times of special celebration such as weddings or graduations and at times of personal emergency or unusual family responsibility.

PROFESSIONAL EXPENSES, INCLUDING TRAVEL

Churches must decide what professional activities support their ministry and how such expense will be funded and reimbursed. These activities undergird the pastoral leadership offered and the related expenses are considered costs of the church, not part of the pastor's compensation.

Churches are urged to adopt an "Accountable Reimbursement Plan" (acceptable to the IRS – see IRS Publication 1828, "Tax Guide for Churches and Religious Organizations," available at <http://www.irs.gov/pub/irs-pdf/p1828.pdf>) as a means of reimbursing pastors for professional expenses incurred on behalf of the congregation. These expenses may be for transportation, overnight travel (including lodging and meals), professional entertainment, books, subscriptions, education, vestments, and professional dues. The adoption of such a plan relieves the pastor of complicated tax reporting. Under the accountable reimbursement plan, the pastor provides the church with detailed documentation of the above items. Assuming that the nature and level of expenses falls within IRS guidelines, reimbursement is not included as taxable income. The church must retain the documentation for seven years for audit purposes.

Travel: Reimbursement for automobile travel should be at the rate allowable by the IRS. It is necessary that the minister provide to the church a daily record of trips taken, briefly noting the purpose, distance traveled and the expenses incurred, including tolls and parking fees. Expense vouchers should be submitted on a weekly or monthly basis.

A church may provide the pastor with an automobile for which the church pays all expenses and for which the pastor would then record and compensate the church for personal miles traveled.

Reimbursement for other church-related travel (air, train, etc.) should be reimbursed upon receipt of vouchers submitted by the pastor.

Church Related Meetings: to maintain ministerial standing, pastors are expected to attend conference meetings. They are also expected to serve in wider ministry, such as church camp, conference, national, and ecumenical settings. Such service should be considered part of the congregation's ministry, not as time off or vacation for the pastor. Expenses not reimbursed by the wider ministry setting should be reimbursed by the local church.

Other Professional Expenses: The church should budget an amount for annual professional expenses including items such as:

1. Professional journals, books, and periodicals
2. Hosting or entertaining church leaders, members, or guests
3. Dues to professional organizations such as the Academy of Parish Clergy, Association of United Church Educators, Association of Professional Chaplains, United Church of Christ Intentional Interim Ministers, etc.

PROFESSIONAL LIABILITY INSURANCE

Each church should purchase professional liability insurance to protect both the church and its minister(s) in the event of a lawsuit arising from counseling or other professional activities of the minister(s). This insurance is automatically included in the program available from the Conferences of the UCC Insurance Board at coverage limits substantially higher than are available in the local insurance market.

SABBATICAL LEAVE

Sabbatical leave is an important part of a minister's development. It is meant to be a time for spiritual refreshment and education development – intending to bless the pastor so that she/he can be a greater

blessing to the congregation. Typically, this experience is of two or three-month's duration offered after every five years, but the timing should be treated with flexibility. The pastor receives her/his complete salary and benefit package during this leave period. The Conference office has a brochure further explaining this benefit (610-826-3113).

SICK LEAVE

Churches are encouraged to give their pastor(s) sick leave accumulated at the rate of one day per month up to thirty days. In cases of prolonged illness or disability, churches should continue to provide pastoral compensation and all benefits for thirty days, after which the Short Term Disability Income Plan takes effect. Short Term Disability will continue for 22 weeks at which time, if the pastor is still disabled, the pastor will be eligible for Long Term Disability. During the 30 day waiting period and the 22 weeks of Short Term Disability, the church would be expected to pay health, dental, annuity, and insurance contributions. Parsonage use should be continued for at least three months and thereafter be negotiated on a month-by-month basis. If the employee is still disabled after the 22-week period and has been approved to receive Long Term Disability Benefits, the church is no longer responsible for premium payments or annuity dues.

(see additional information under the "**LIFE and DISABILITY PLAN**")

SOCIAL SECURITY

Ordained ministers and lay employees of congregations are treated differently for the social security tax. Clergy come under the rules of the Self-Employment Contributions Act (SECA), while lay employees and professionals pay the social security tax under the Federal Insurance Contributions Act (FICA) provisions. The distinction is important because the rate of tax and the method of computing income subject to tax are different. Benefits are the same in either instance for the same earnings.

The Social Security reimbursement is intended to reduce the minister's *actual* tax liability to what it would be if she/he were treated by the IRS like other employees. The reason that the percentage (8%) is slightly more than one-half (7.65%) of the Social Security tax liability is to cover the small amount of additional tax that the pastor will have to pay on the Social Security reimbursement itself.

STATED SUPPLY MINISTER

It is recommended that the salary package be based upon the PNEC Compensation Guidelines for all authorized clergy, particularly if the Stated Supply pastor is serving in an at least half-time capacity. If the Stated Supply pastor's work load is less than half time, such that it would be more appropriate to base compensation upon an hourly wage, then it is recommended that the following minimum remuneration guidelines pertain:

- Worship service leadership: \$150 (licensed minister: \$100) plus travel expenses (at the current IRS mileage rate)
- Additional ministry: \$23 per hour (licensed minister: \$16 per hour) plus travel expenses (at the current IRS mileage rate)

In setting the compensation for the Stated Supply pastor, it may be important for the congregation to recognize the goal of enabling the parish to extend its financial obligations to the point that it is able to support a full-time settled pastor.

To be eligible for the Health and Dental insurance and the Life and Disability Program, the Stated Supply pastor must be employed for a minimum of twenty hours per week and the employer must contribute at least 11% of the pastor's salary basis (basic salary plus housing allowance/parsonage value). The standard PNEC congregational contribution is 14% of salary basis. If the Stated Supply pastor is not employed a minimum of twenty hours per week, (s)he is not eligible for these two benefits. As current policy stands, the Stated Supply pastor who is employed less than twenty hours per week may re-enter the plan once they are employed at least twenty hours per week, however they must provide proof of insurability.

SUNDAY SUPPLY MINISTER

Compensation should be \$150 plus travel expenses at the IRS mileage rate. Extra compensation should be considered if there is more than one service to be conducted on a given day.

TAX SHELTERED ANNUITY

Each minister is reminded that as an employee of a religious institution, he/she is eligible for certain tax deferred benefits available to him/her under a Tax-Sheltered Annuity (TSA) as defined by the Internal Revenue Code. The churches of ministers wishing to avail themselves of the advantage of a TSA are expected to cooperate considering that compliance is both easy and entails no additional cost to the employer church. Additional details can be obtained by consulting the Pension Boards (800-642-6543).

TAX WITHHOLDING

While the IRS considers most pastors to be employees for federal income tax reporting, all pastors are considered self employed by the Social Security Administration with respect to services performed in the exercise of ministry.

Voluntary Withholding: A church and its pastor, who reports his/her income taxes as an employee, can voluntarily agree to subject his/her compensation to income tax withholding. Some pastors find voluntary withholding helpful because it avoids the additional work and discipline associated with the estimated tax payment procedure. Pastors who elect to enter into voluntary withholding arrangement with their church need only file an IRS Form W-4 (Employee's Withholding Allowance Certificate) with the church. The filing of this form is considered a request for voluntary withholding, an arrangement that may be terminated at any time by either the church or pastor, or by mutual consent. Of course, a voluntary withholding arrangement will affect the church's quarterly IRS Form 941.

Estimated Tax Payments: Unless electing voluntary withholding, pastors must prepay their income and self employment taxes using IRS estimated tax procedures. **Reporting to the IRS: Whether the pastor opts for voluntary withholding or for making estimated tax payments, he/she should receive a W-2 (and not a 1099) at the end of the year.**

VACATION

Pastors should be given at least four weeks paid vacation (including four Sundays) each year with churches providing pulpit supply during this period. Except for emergencies, clergy pastors should not be contacted during such times.

WORKERS' COMPENSATION

Churches are required by state law to carry Workers' Compensation insurance coverage for all employees including clergy. Those churches carrying their property-liability insurance package with the Conferences of the UCC Insurance Board can obtain Workers' Compensation also through that program. *(Their phone number is 800-437-8830.)*

DISCLAIMER

Every effort to assure that the references in this booklet to matters of law and taxation, as well as to insurance provider policies, are correct as of the date of editing and publication. Recognizing, however, that changes can be introduced by these institutions on relatively short notice and with little publicity, we disclaim responsibility for the publication herein of technical material subsequently determined to be out of date or inaccurate in some other way. In other words, this booklet presents general guidelines, not "canon laws."

It is suggested therefore that, when necessary, pastors and congregations seek assistance from knowledgeable professionals, such as employees of the Internal Revenue Service and competent legal or tax counselors.

USEFUL PHONE NUMBERS

Rev. Alan C. Miller <i>Conference Minister</i>	610-826-3113
Ms. Barbara Jennings <i>Conference Office Bookkeeper</i>	610-826-3113
The Pension Boards	800-642-6543
UCC Insurance Board	800-437-8830
