

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

**From: The Ministry Leadership Team of the Illinois Conference, UCC**

## **2021 GUIDELINES FOR THE CALL AND SUPPORT OF MINISTRY LEADERSHIP**

*Pending approval by the Ministry Leadership Team 11/18/2020*

### **Introduction**

Guidelines for the financial compensation of clergy serving churches of the Illinois Conference, United Church of Christ, are established by the Ministry Leadership Team.

In establishing the guidelines, the Ministry Leadership Team 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. A guideline for part-time ministry begins on page 5.

## Compensation Guidelines – Full-Time Ministry

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 2021 for a pastor newly graduated from seminary is \$37,353 (a 1.3% increase from 2020 based on the reported Cost of Living Adjustments (COLA). This figure should be raised by \$610 for each year of pastoral experience up to a maximum of 15 years (potentially \$9,150). The base cash salary should also be adjusted if the church's average worship attendance exceeds 75:

Up to 75	Base salary (\$36,230)
75 to 199	Base salary + \$2,025 + \$610 for each year of pastoral experience
200 to 399	Base salary + \$4,050 + \$610 for each year of pastoral experience
400+	Base salary + \$6,075 or more + \$610 for each year of pastoral experience

*(See Table at the end of this document for suggested salary numbers)*

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 Ministry Leadership Team 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.
- h. **Compassionate Leave.** Provision of up to two weeks for compassionate leave of absence at full pay in addition to annual vacation to be used at the pastor’s discretion for the critical illness or death of a spouse, child, parent, sibling, or significant other.

- i. **Clergy Communities of Practice.** Provision of time (once a month) and a \$250 fee to attend Conference/Association administered small groups of clergy facilitated by a professional for support, learning and sharing resources. These groups have been shown to both strengthen and sustain pastors for creative and effective service in the church.

#### **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 firsttime; 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.

<b>TABLE - ILLINOIS CONFERENCE CASH COMPENSATION GUIDELINE FOR 2019</b>											
Avg Worship	Years of Experience										
	0	1 - 5		5 - 10		10 - 15		15 - 20			
Up to 75	\$36,230	\$36,840	-	\$39,280	\$39,280	-	\$42,330	\$42,330	-	\$45,380	\$45,380 Plus
75 - 199	\$38,255	\$38,865	-	\$41,305	\$41,305	-	\$44,355	\$44,355	-	\$47,405	\$47,405 Plus
200 - 399	\$40,280	\$40,890	-	\$43,330	\$43,330	-	\$46,380	\$46,380	-	\$49,430	\$49,430 Plus
400 Plus	\$42,305	\$42,915	-	\$45,355	\$45,355	-	\$48,405	\$48,405	-	\$51,455	\$51,455 Plus
<b>Definition of Average Worship Attendance incorporated into the figures in the table above.</b>											
Up to 75	Base salary (\$36,230) plus \$610 for each year of pastoral experience up to 15 years										
75 - 199	Base salary + \$2,025 + \$610 for each year of experience up to 15 years										
200 - 399	Base salary + \$4,050 + \$610 for each year of experience up to 15 years										
400 Plus	Base salary + \$6,075 + \$610 for each year of experience up to 15 years										

### **COMPENSATION GUIDELINES - PART-TIME MINISTRY**

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 worksheet, determine what the budget would be for this position (years of service, size of congregation, plus pension, health insurance, disability, continuing education, social security, etc.).
2. Multiply that budget figure by the percentage of time you have agreed to designate for this particular position. (Example: If this is a half-time position, multiply the budget above by .5)
3. The pastor should choose how the budget 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)
4. It is important that pastor and congregation negotiate in advance what "part-time" means. This becomes part of the Call Agreement. For example, a part-time pastor may or may not preach every week. He or she may do calling, but not attend meetings, etc.

<b>CLERGY COMPENSATION GUIDELINES</b> <b>2020 WORKSHEET FOR FULL-TIME/PART-TIME COMPENSATION</b>
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CASH SALARY	MINIMUM	\$35,660
<b>AVGERAGE WORSHIP &amp; PASTORAL EXPERIENCE</b> *Up to 75, base salary (\$36,230) *75 – 199, add \$2,025 + \$610 for each year of pastoral experience *200 – 399, add \$4,050 + \$610 for each year of pastoral experience *400 +, add \$6,075 + \$610 for each year of pastoral experience		
Merit Increase		
<b>(A) TOTAL CASH SALARY</b>		
If you cannot meet this figure, what % of time will your pastor work?		
<b>(B) HOUSING or PARSONAGE VALUE**</b>		
<b>TOTAL CASH SALARY &amp; HOUSING TO PASTOR (A+B)</b>		
<b>REIMBURSED EXPENSES</b>		
Automobile	Mileage at IRS Guideline	
Continuing Education		
Business (meetings, meals, etc.)		
<b>BENEFITS</b>		
Social Security offset (.0765) (of cash salary & housing)		
Pension (14% of cash salary & housing)		
Health and Dental		
Life and Disability Insurance (1.5% of cash salary and housing)		
If necessary, what benefits can you increase in lieu of cash compensation?		

\*Beyond 15 years we encourage you to negotiate an appropriate figure for experience with your pastor.

\*\*Parsonage value is figured at 30% of base salary.