

**New Hampshire Conference
United Church of Christ**

**Compensation
Guidelines
For
Authorized Ministers ***

Ordained, Commissioned, Lay Minister

in the NH Conference of the United Church of Christ.

2021

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*“But we appeal to you, brothers and sisters,
to respect those who labor among you,
and have charge of you in the Lord
and admonish you;
esteem them very highly in love
because of their work.”*

--I Thessalonians 5: 12-13

I. Introduction – Understanding Support for Ministry

Conversations considering salary agreements are best grounded in the following:

The Covenant Relationship

When a person is called by a congregation to become their pastor and teacher, a unique relationship is formed with that person, with God, and with the congregation. A covenant is created to care for, to support, and to grow in love and faithfulness. Therefore, the pastor is not *hired* by a congregation to serve, but rather *called* to join and live in relationship with the congregation.

The Concept of Stewardship

We are charged to be stewards of God’s resources in our personal lives and in the life of the church. These resources support the mission of the church locally, regionally, and globally. Faithful stewardship is also mindful of these areas: Fair and just compensation of staff members, the care of its volunteers, as well as maintaining the buildings and property that have been entrusted to a congregation.

The Concept of Justice

A congregation is called to provide fair and just support for those who lead it. The congregation should honor the experience, education, responsibilities, changing personal and economic conditions, and respond with adequate compensation. Continued growth and education are priorities for a successful ministry. A congregation is encouraged to be generous with its minister regardless of the race, gender, disability, sexual orientation, or social status of their pastors. Consideration for rest and relaxation are crucial. These are values our faith affirms.

Ministerial compensation should be considered within the whole church ministry. All Christians are called to ministry and mission. Properly trained leaders are indispensable to congregations remaining faithful to the gospel and to God’s mission. Responsibilities of church leadership demand more education and time than can be offered by volunteers. Historically, it has been the tradition of the United Church of Christ to value well-educated pastors. Educated, professional leadership will equip the whole congregation for ministry. Compensation reflects the congregation’s intention to live in faithful service to God. This makes the congregation’s relationship with its pastor different from that of employer to employee, even though a written and signed “call agreement” is considered a legal contract. As noted above, this relationship is a covenantal relationship between professional and lay Christians shaped by their mutual responses to God’s call and the needs of the church.

II. Components of Compensation

The following elements comprise an adequate and fair compensation package for full-time employment:

A: Minimum Cash Salary

The cash salary is the basic amount paid to the minister, not including housing and utilities, allowances, benefits, or reimbursable expenses. Depending on the minister's individual tax and housing situation, some or all of the salary may be subject to federal income tax and self-employment tax. Clergy are considered employees for income tax purposes and self-employed for Social Security purposes.

In 2020, for New Hampshire Conference churches calling a full-time, newly-ordained clergy person with ministerial standing in the United Church of Christ, the recommended starting cash salary for one year is \$42,217. We recommend that for each year of ordained ministry experience, \$800.00 should be added to the minimum, for up to 15 years of experience. For every 100 members, \$2,500.00 should be added to the cash salary. Consideration should be given for earned degrees beyond the M.Div. in the practice of ministry or related fields. We suggest a minimum of \$1,000 in annual salary per earned degree. The Clergy Support Ministry of the New Hampshire Conference, United Church of Christ, developed these figures by comparing salaries among several denominations and with other professions. A Salary Calculator for computing a clergy compensation package is available on the Conference website. (*See Appendix*). The Compensation Calculator is recommended for use by a congregation for the annual review as it includes the COLA and new base salary.

B: Housing

A second, major portion of a pastor's compensation is housing, which is provided either in the form of the rent-free use of a church-owned house or a housing allowance. Various options for housing should be considered as part of the call agreement and may be renegotiated as required. The amount of total salary designated for housing, must be established in advance by vote of the church or official board and reported in writing to the pastor, before payment at that salary level begins.

Parsonage

When a parsonage is provided, the dwelling should be comparable with the average housing in the community. It should be attractive, conveniently arranged and well maintained. The church pays for all parsonage utilities (heat, light, water, refuse service, local phone calls, etc.) The clergy must pay self-employment tax on the fair rental value of the parsonage which must be determined in advance by comparisons with similar rental housing in the community.

Housing Equity Benefit

An equity benefit is not a housing allowance. The two are different and should not be confused. For a pastor living in a parsonage, an equity benefit is part of basic compensation, and is only fair and just. It gives parsonage dwellers the opportunity to accumulate some equity that can eventually be used to provide housing, either owned or rented. After a lifetime spent in parsonages, the family may have no assets with which to provide housing. In other words, at death, disability, or retirement, the pastor's family is on its own. The important consideration is that the pastor be allowed what most parishioners have: a build-up of equity.

Generally, a separate fund, owned by the church, is set aside that is not available to the pastor until retirement or other permissible event. The written agreement for funding the equity benefit should be as simple as possible, but the IRS regulations regarding deferred income are very specific and technical. Therefore, we strongly suggest that this be done in consultation with a qualified tax attorney or certified financial planner to assure that the agreement conforms to the IRS requirements.

It must be remembered that an equity benefit is additional compensation (deferred income), and eventually will be taxable. Generally, a separate fund is set aside that is not available to the pastor until retirement. If the pastor moves to another ministry, the depository for this fund may be changed, but the restrictions on its use will be continued.

Housing Allowance

A housing allowance may be provided so that the minister can rent or purchase a home. The housing allowance is paid in addition to the basic cash salary. When the total cash salary and housing allowance is determined it is important to allow the minister the flexibility to determine what portion of the total compensation should be declared as housing allowance in the call agreement and in a compensation agreement to be renewed each year prior to January 1. The amount declared as housing allowance may vary from year to year depending on the minister's housing costs and tax situation.

The housing allowance is subject to self-employment tax but is exempt from federal income tax, provided it is not more than the lowest of: (a) the amount declared in the agreement ratified by vote of the church or official board; (b) the fair rental value of the housing, utilities, and furnishings; or (c) actual costs. If the housing allowance is lower than those three amounts, the minister will not get full benefit from the exclusion. For this reason, the housing allowance should make room for unexpected expenses. Any housing allowance over the limits will simply be added back to taxable income on the minister's individual tax return.

If there is a change to the minister's housing expenses after the agreement is ratified, the allowance may be adjusted by a vote, in the same manner as the original agreement, to apply prospectively to future periods. The housing allowance cannot be changed retroactively. The call and annual compensation agreement should state that they are effective until changed or superseded. This will avoid having an agreement accidentally expire.

More detailed information on the tax implications of the housing allowance and the equity benefit may be found at the Pension Boards website, www.pbucc.org.

C: Annual Time Compensation

Vacation Leave

Vacation time should be a minimum of one month per year, including Sundays. This time should be exclusive of denominational meetings or professional training. It is recommended that vacation time be extended one week at each fifth year anniversary. In addition to these vacation leaves, churches might also provide one weekend off per quarter to compensate for days-off that might otherwise be taken on holidays. Common times for these to occur are the Sundays following Christmas and Easter, and one weekend during Lent.

Churches are encouraged to provide one week of the summer as a “Camp Week” allowing the pastor to serve as a counselor or director in the Conference Outdoor Ministries program. This would not be considered vacation time since your pastor would be working all week with children and youth.

Holidays

Paid holidays are to include New Year’s Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, and the Friday after Thanksgiving, Christmas and one floating holiday. When any of these occur on a Sunday, another day should be taken as a “holy day.”

Days Off

The equivalent of two days off per week is recommended.

D: Benefits

Benefits are those items other than base salary and housing that are considered part of the compensation package. They are the congregation’s responsibility in providing adequate and just support of their minister. These include health and dental benefits, annuity, long-term disability, and group life insurance. The Pension Boards of the United Church of Christ offer the following benefits to pastors with standing and laypersons employed at least 20 hours per week.

Annuity Contribution

Quarterly contributions to the annuity fund are part of the standard benefit package for UCC clergy. The annuity contribution, paid by the local church to the UCC Pension Boards, is equal to 14% of the salary and the housing/parsonage allowance. When a parsonage is used, the value of that housing is calculated at 30% of the base salary. Thus the annuity payment for a pastor living in a parsonage would equal 14% x 130% of the base salary. When a housing allowance is paid, annuity is calculated at 14% of the total of base salary plus actual housing allowance.

To determine the maximum amount a pastor and church may contribute to an annuity, you are encouraged to consult a certified tax professional. This is particularly important when the pastor's compensation package is weighted heavily toward a housing allowance.

Group Health and Dental Insurance

The church is to pay for the cost of insurance for the pastor and his/her family. The United Church of Christ offers Health and Dental plans that can be retained if clergy move from one state to another. There is only one open-enrollment period to enter the plan: within 90 days of one's first call to work 20 hours or more per week. Subsequent entry into the Plan is by proof of good health only. Once included in the Plan, clergy and their families are insured for life as long as premiums are paid. If clergy and churches elect not to participate in the United Church of Christ Plans, health and dental benefits are to be provided through another insurer. Please note that this could have significant consequences for the pastors and congregations in future years.

Flexible Spending Account Plan

Through the Pension Boards, local churches participating in the UCC Health Benefit Plan may establish a Flexible Spending Account for clergy. Aside from a modest initial set-up fee, making this Account available does not have a cost to the local church as it is funded by the clergy person'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 complement to a minister's compensation arrangement.

Medicare

The Conference recommends that when a pastor reaches the age of 65 and becomes eligible for Medicare, the church cover the cost of the Medicare Supplement Plan and reimburse the pastor for Medicare Part B. Should insurance conditions change during a pastorate, it is suggested that the congregation and the pastor review the needed changes and agree upon an appropriate coverage arrangement.

Disability Income and Term Life Insurance Plan

Congregations are to provide disability insurance through the UCC Pension Boards' Life Insurance and Disability Income Benefit Plan. This insurance relieves the church of liability in the event of their pastor's total or partial disability or death. The program provides for Short Term coverage beginning after 30 days and continuing for 5 months. Long Term disability benefits would begin after 6 months and would pay a percentage of base salary and housing, plus annuity, to age 65. The congregation is responsible for continuation of benefits during the first 6 months of disability. Decreasing term life insurance is included in the Plan. The annual premium is 1 ½ % of the total amount of base salary and housing.

Social Security Offset

Clergy are treated as self-employed for social security purposes. Pastors must pay the current 15.3% on the cash salary plus housing allowance or fair market rental value of the parsonage. Churches should pay 7.65% of the pastor's salary and housing allowance for social security, as it must do for regular FICA employees. This should be paid directly to the pastor and listed in the budget as a Social Security Allowance or Offset.

E: Sabbatical Leave

A common sabbatical leave is three or four months, with pay, after five or six years of service. Usually a pastor is required to commit to at least one more year of service following a sabbatical leave. Sabbatical leave encourages longer pastorates, and gives both pastor and congregation new appreciation and fresh energy for their covenant ministry. If a supply pastor is needed during the sabbatical period, congregations can prepare for that expense by adding annually to an escrow account for that purpose. A written sabbatical proposal should be submitted to the Pastor-Parish Relations Committee at least three months prior to the start of the sabbatical, and a written report should be made to the same committee within three months after the sabbatical.

*Churches that cannot afford the recommended full-time compensation may want to consider offering fair compensation to a part-time pastor:

Ministers Serving in Part-time Settings

Some churches are small and want a vital part-time pastor ministry or circumstances have changed and they can no longer afford full-time compensation. Some pastors are looking for a part-time position because they are bi-vocational or want additional time for family or other personal commitments. The number of part-time church pastors is growing in NH and across the country. Fairness in both compensation and the level of ministry that is expected is of utmost importance because without it a congregation may have unrealistic expectations of a part-time clergy person. This is particularly critical for churches transitioning from a full to a part-time pastor. Both the pastor and the congregation will need to adjust what have been full time expectations of the pastor's ministry with a part-time pastor. Part-time arrangements require open communication between the pastor and the PPR. Part-time agreements that are new may require more frequent review, and even renegotiation, as the agreement is lived out in the ministries of the church.

In order that fair and just expectations be established, and just compensation be offered, we strongly encourage the local church leadership to create a Call Agreement by first consulting the newly-published *Call Agreement Workbook*. (A PDF is available as a inexpensive at <https://www.uccresources.com/products/call-agreement-workbook?variant=17676055492>.) The *Call Agreement Workbook* includes a very helpful 'Scope of Work' template that can be used to determine the time commitment and ministry responsibilities you are seeking from your Pastor, enabling you to determine and describe the dimensions of ministry that are most important for the part-time ministry position.

To calculate part time compensation, it is suggested that a congregation first determine what full time compensation (salary, housing and benefits) would be using the Clergy Compensation Calculator, and then multiply that amount by the percentage of full-time allotted to the position. Benefits should be offered to those working half time or more.

Consideration of the travel demands on the part-time minister must also be compensated at the current IRS reimbursement rate, as well as other reimbursable expenses noted in Section III.

III. Reimbursable Expenses

Reimbursable expenses are those costs, reimbursable to the authorized minister, that are incurred in the performance of duties. **They are not part of the person's compensation.** They are "business" expenses for which the congregation is responsible. The IRS considers the following to be reimbursable expenses:

A: Travel

The IRS establishes annually a maximum allowable rate for deducting business travel mileage. The rate includes the full costs of auto depreciation, insurance, maintenance and operation as a per mile cost. It is recommended that churches reimburse pastors for actual mileage logged in the performance of the ministry at the IRS allowable rate. It is **not** recommended that a monthly flat rate travel allowance be paid unless that rate has been determined by averaging a significant period of months' auto usage and multiplied by the current IRS rate. The minister is responsible for submitting a mileage log to the church for reimbursement on a monthly basis. (*See Appendix for helpful resources.*)

B: Continuing Education

Congregations should expect a pastor or leader to be committed to continued professional growth and development, since both truly benefit from it. Continuing education leave of minimally two weeks each year is recommended, with an amount budgeted to cover a major portion of the expenses for tuition, travel, housing and meals that might be involved. A written request for continuing education time and funding should be made to the appropriate church committee at least one month prior to the event with a written report to that same body within a month after the event.

C: Other Professional Expenses

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

1. Professional journals, books or periodicals
2. Hosting or entertaining church leaders, members or guests
3. Dues to professional organizations
4. Participation in a New Hampshire Conference Clergy Development Group

D: Conference and Association Meetings

Authorized Ministers are expected to attend Conference and Association meetings for the benefit of churches and clergy. An Authorized Minister is also to be encouraged to serve in wider ministry – in the Association, camping ministries, Conference, or national settings. Such service is considered part of the congregation's and Authorized Minister's ministry. It is neither time off nor vacation. Expenses not reimbursed by the wider ministry setting are covered by the congregation.

E: Short-term Pulpit Supply Preachers

During periods of scheduled absence of the pastor, such as the Sundays of scheduled vacation, Conference meetings, continuing education, sick leave or approved personal leave, the payment of pulpit supply preachers is the responsibility of the church. See section V: C, "Other Staff and Specialized Ministry," for suggestions of compensation for this service.

F: Worker's Compensation Insurance

Churches are required by law to provide worker's compensation insurance to all employees, including clergy.

G: Malpractice Insurance

In today's litigious society, it is advisable for churches to carry malpractice insurance to protect both the pastor and church in the event of a lawsuit.

All authorized ministers serving in any capacity in churches of the New Hampshire Conference are required to participate in, and be certified in having completed periodic Boundary Awareness Training. While this does not insure against sexual and other forms of misconduct, the requirement does ensure that those serving our churches are cognizant of the issues.

H: Criminal Background Check

All persons seeking to circulate a ministerial profile in the United Church of Christ are required to pay for a national criminal background check. The local church is to reimburse this fee to the pastor who is selected.

I: Moving Expenses: See the Call Agreement Workbook "Relocation Expenses"

IV. Other Support

Congregations are wise to anticipate special situations or needs of their pastors, commissioned or licensed ministers, and other church employees. Such special situations include illness, personal emergencies, the birth of a child, etc. Written **personnel policies** regarding such needs can avoid confusion and avert tensions in the relationship.

A: Sick Leave: See the Call Agreement Workbook “Personal and Sick Leave.”

B: Family Leave: See the Call Agreement Workbook “Parental Leave.”

C: Emergency or Personal Leave Days: See the Call Agreement Workbook “Personal and Sick Leave.”

D: Disability and Death of the Minister: See the Call Agreement Workbook “Disability and Death.”

Working Conditions

The church should provide competent support, especially for office tasks and building maintenance. In providing office space at the church or parsonage, consideration should be given for the minister’s need for technology, accessibility, privacy, and the ability to work without interruption. Safe church policies and practices should be a priority for both the minister and the church.

V: Other Staff and Specialized Ministry

A: Associate Pastors

Associate pastors should receive a minimum of 80% of the senior pastor’s salary, depending on position descriptions, scope or responsibility, length of service, experience and years in the ministry. Associate pastors should receive the same housing and benefit package as the senior pastor. At no time should an Associate Pastor’s compensation fall below minimum guidelines.

B: Interim and Intentional Interim Pastors

The interim minister will serve a church during situations that demand specialized skills, training and responsibilities. In accordance with their specialized duties, every interim minister will possess a working knowledge of the United Church of Christ’s Search and Call process, as well as the Ministerial Code. A full-time interim minister should receive the same salary as the previous minister’s salary along with all the housing and benefits that the previous minister received. It is recommended, however, that the interim pastor be compensated at a higher level to help stretch the congregation toward adequate

compensation for the next settled pastor which in all likelihood is going to be considerably higher than their previous pastor.

C: Short-term Pulpit Supply Pastors

Where a congregation needs only worship leadership, a pulpit supply pastor may be contracted for one or more consecutive Sundays. The recommended per-service compensation is \$200.00, plus travel expenses at the current IRS rate.

D: Commissioned Ministers

Commissioned Ministers are lay persons authorized to serve in the United Church of Christ according to the guidelines of the “Manual on Ministry.” They normally have a college degree plus specialized training in a specific area of ministry, not requiring ordination, such as Christian education, music ministry, congregational health ministry, parish nursing, administration, outdoor ministry, etc. Compensation should reflect experience, education and special training. Full-time service should include all the benefits recommended above in Section II, Sub-section D, and pro-rated benefits for part time service of half time or more service.

E: Lay Ministers

Lay Ministers are lay persons who have received special training to preach and lead worship in settings where an ordained pastor is not available. Compensation is to address fairly the minister’s needs in relation to the amount of time and responsibilities required by the position.

VI. Working Together for Effective Ministry

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

A: Pastor-Parish Relations Committee

A small committee of three to seven persons is given the specific job of nurturing the pastor, the relationship between the pastor and the congregation, and clarifying the role of the pastor. Such care can build the trust and communication necessary to deal effectively with the inevitable tensions and conflicts that arise. Guidelines for such a committee can be found in the document, “The Pastoral Relations Committee,” available from the UCC website: www.ucc.org

B: Annual Review of Compensation

An important task for the church board or appropriate committee is an annual review of the pastor’s compensation. The review is to be an open and caring conversation allowing the pastor to express changing needs or expectations. An annual increase of base salary reflecting any increase in the cost of living should be considered. This should include a review and adjustment of mileage reimbursement based on current IRS guidelines. Additional salary increases reflecting meritorious service or increased responsibilities affirm the mutual covenant between pastor and congregation. Increases in pastoral

compensation are to be advocated by a member of the Pastor-Parish Relations Committee or Personnel Committee. Conference staff are readily available for consultation.

C: Ministry Evaluation

An annual review of the congregation's ministry goals, including the compensation of professional leadership, is an integral part of the covenantal relationship. Ministry evaluation is best undertaken when the purposes of the evaluation are clear. Such purposes might be to clarify congregational goals and objectives, to assess pastor's use of time in relation to those objectives, to assess the congregation's ability and progress to meet those goals and objectives, to identify unmet ministry needs, to identify skills that need further development by congregation or pastor or to assess whether a congregation should be taking a larger role in the ministry. Evaluation of the congregation's ministry is as important as evaluation of the pastor's. For further guidance and resources see the Call Agreement Workbook p. 15, "Review of ministry."

VII: APPENDIX: Helpful Websites

New Hampshire Conference, United Church of Christ's website, www.nhcucc.org

Call Agreement Workbook: a free download is available as pdf:
<https://www.uccresources.com/products/call-agreement-workbook?variant=17676055492>

A Compensation Calculator for Cash Minimum Salary & Benefits:
<https://www.nhcucc.org/resourceslinks/clergy-compensations-calculator>

Housing Allowance Allocation <http://nhcucc.org/resourceslinks/financial-forms>

Sample Call Agreement:
<https://mail.google.com/mail/u/0/?tab=wm#search/clergy+compensation+guidelines/164b3e5aa5ed6ea4?projector=1&messagePartId=0.1>

Internal Revenue Service for the current standard mileage rate: www.irs.gov

Travel Reimbursement for Ministers <http://nhcucc.org/resourceslinks/financial-forms>

Pension Boards United Church of Christ for information concerning Pension, Health & Dental Insurance, Life Insurance & Disability Insurance, and Qualified Housing Allowance Expenditures, www.pbucc.org.