

2024

Pastoral Leaders

Minimum Compensation

Guidelines Handbook

Hawai'i Conference United Church of Christ
700 Bishop Street
Honolulu, HI 96813

Please note that the Social Security Cost of Living Adjustment for 2024 is 3.2%. This adjustment is reflected in the recommended minimum pastoral compensation for 2024.

INTRODUCTION

When a church calls a pastoral leader, it enters a shared mutual ministry, a relationship of caring for each other. Part of that caring provides that the church has a responsibility, a covenant, to provide for the financial support of its pastor(s) and their family.

These guidelines focus on the total cost of funding the position of pastor. They also include recommendations around specific parts of the package. You are encouraged to start with the minimum total needed to adequately fund the position and then work with the best allocation of funds available to meet the needs of your pastor(s). Further, the guidelines are grounded in a commitment to provide fair and adequate support for those who labor in the local church. This means providing acceptable salaries, uninterrupted times for rest and relaxation, and your pastor(s) continued professional growth.

Each church is urged to consult these guidelines to best understand 1) where the congregation's compensation is in comparison to standardized recommendations, 2) to discern if they are compensating for full or part-time services, and 3) to consider the place and value of ministerial compensation in the overall health of the church.

A *minimum* ministerial compensation is proposed for all authorized ministers serving as pastors in the Hawai'i Conference. The Conference recognizes the challenges faced by local congregations in meeting operational budgets while continuing to do God's work. Your congregation is urged to prayerfully consider how to meet these *minimum* compensation guidelines outlined in this handbook to the best of your ability. The Conference also recognizes the unique challenges faced by smaller churches and immigrant communities and is happy to continue to work with you to suggest ways in which you can make use of the guidelines in compensating pastoral staff

COMPENSATION PHILOSOPHY

The underlying philosophy of these guidelines is that churches will aim to provide pastors with a standard of living relatively free of financial stress and a compensation package that is comparable to other professional occupations with similar levels of education and experience.

The Hawai'i Conference understands there are three components to the total Pastoral Leadership Compensation package:

1. Base Salary
2. Insurance Benefits
3. Professional Expenses

An intangible, yet important part of the call agreement, is adequate leave time. Since leave time is usually paid out as part of the base salary, it does not appear in the grids within this document. However, leave time is addressed as a crucial issue under Benefits below.

IRS BASE SALARY:

IRS Base salary is Cash Compensation plus Furnishing or Housing Allowance plus Social Security Offset.

Cash Compensation:

Within the Hawai‘i Conference ‘ohana there are many ways by which congregations provide for the “cash” compensation of their pastors. Some compensate strictly through cash, some compensate through gifts to the pastor or through work done for the pastor or pastor’s family; and some compensate through free-will offerings taken at church or given through the purchase of items for the pastor.

The Conference assumes that a pastoral leader’s “cash” compensation, regardless of its form, can be calculated into a “monetized cash equivalent” to determine the monetized value of your pastor’s cash salary.

For example, if your congregation compensates your minister by providing housekeeping, you can take the going rate for housekeeping in your area and multiply it by the number of hours or times cleaning is done. In Honolulu the average rate seems to be \$200 per clean for a two-bedroom house. You would multiply \$200 by the number of cleanings done per year. In this example, the house is cleaned once a month for twelve times a year. The monetized cash equivalent would be \$200 x 12 for a total of \$2,400 monetized cash equivalent compensation.

The same would apply for any labor done on behalf of the pastor as well as the value of food and other gifts.

Housing Provided:

When the church owns a house in which the pastor will live—a parsonage—the value of that home based on local market conditions, maintenance, and utilities (covered by the church) are to be converted to a monetized cash equivalent for the purpose of a fuller understanding of the total compensation package provided to the pastor(s).

The parsonage should be attractive, comfortable, and well-maintained. It should be spacious enough for adequate sleeping quarters and a guest room. Appliances should be modern and in good working condition. All utilities (heat, light, water, garbage collection, yard maintenance and basic telephone service) should be provided by the church. Other expenses of maintaining a home may be excludable from income under IRS regulations. The parsonage should be regarded as the pastor’s private home.

Ministers living in a parsonage are advised to designate a portion of their cash salary as a furnishings allowance. To the extent that it is used to pay for parsonage-related expenses, this allowance is not subject to income taxes. This allowance is normally not more than 10% of the salary.

Parsonage Equity Plan:

The congregation benefits from the equity built up in their parsonage. Ministers living in parsonages or renting are unable to build home equity and may find it difficult to purchase a house at retirement. The church may consider contributing to a parsonage equity plan for the minister to be used at the time of his/her resignation from the church.

To compensate for the loss of home equity by pastors who live in parsonages and those who rent, the church should establish a home equity fund. It is recommended that \$3,500 – \$5,500 be placed in this fund each year, to be held in trust and given to the pastor at the time that he or she leaves the congregation. The pastor may choose another means to receive the home equity funds.

Housing Allowance:

When the pastor(s) owns or rents a home, the church should pay a housing allowance based on local market conditions. The housing allowance should be determined in keeping with IRS guidelines including maintenance and utilities. The minimum recommended housing allowance is the fair rental value (furnished) of suitable properties in the local market plus utilities and maintenance, but not less than 30% of the pastor’s cash salary. Local housing can be the greatest variable in costs from island to island within the Conference. This is of particular concern in high housing cost areas, where special attention should be given to ensure that the housing allowance reflects market conditions.

For federal tax reporting purposes, clergy who rent or own their own homes can designate a portion of their cash salary as a housing allowance. The amount of this allowance is not limited by a percentage of the base salary, but rather by the actual cost of housing-related expenses such as utilities, repairs, interest, taxes and furnishings.

According to the IRS, the actual housing allowance for the pastor is the smallest of the following:

- The percentage designated before the beginning of the year. (Make sure that this is higher than can possibly be used.)
- The actual amount spent on housing.
- The fair market rental value of the house FURNISHED.

Example of a Housing Allowance Resolution to be kept on file with the church:

- Resolved, that the designation of _____% or \$_____ as a Housing Allowance shall apply to calendar year _____ unless otherwise provided.

Social Security Offset:

For Social Security purposes, pastors are classified as self-employed. In contrast to other workers, pastors must pay all their own social security tax. The rate for 2024 is 12.4% on the first \$160,200 of self-employment. Congregations are urged to share this burden by providing an allowance equal to approximately one-half the pastor’s social security tax (6.2%). Pastors must report this as income for tax purposes

Full-Time Base Salary:

The following grid provides full-time base salary (Cash Salary/Monetized Cash Salary plus Furnishing or Housing Allowance plus Social Security Offset) and is separate from other benefits. Less than full-time, Associate, Interim, and Pulpit Supply pastors are addressed following the grid. Years in ministry are recognized as total number of years in active ministry minus breaks from ministry.

The matrix used by the Hawai‘i Conference to establish minimum guidelines for base salary compensation includes:

- the number of church members
- the number of years of pastoral experience
- the level of formal education

Please note: the following is not an “average” compensation but the MINIMUM compensation, below which your church is underpaying your pastor(s).

2024 Pastoral Leaders’ Minimum Compensation Grid

No. of Church Members	Level of Education	Entry in Ministry	5 Yrs. Experience	10 Yrs. Experience	15 Yrs. Experience	20 + Yrs. Experience
<75	Undergraduate or less	\$45,140	\$47,579	\$50,019	\$52,459	Add
	Master	\$51,239	\$53,678	\$56,118	\$58,558	1%
	Doctorate	\$57,338	\$59,779	\$62,218	\$64,658	for
75-149	Undergraduate or less	\$48,799	\$51,239	\$53,678	\$56,118	
	Master	\$54,893	\$57,338	\$59,779	\$62,218	
	Doctorate	\$60,998	\$63,438	\$65,879	\$68,287	each
150-249	Undergraduate or less	\$52,459	\$54,898	\$57,298	\$68,318	
	Master	\$60,998	\$63,438	\$64,179	\$70,099	
	Doctorate	\$67,099	\$69,538	\$71,978	\$74,419	additional
250-349	Undergraduate or less	\$56,118	\$58,559	\$60,998	\$63,438	
	Master	\$67,099	\$69,538	\$71,978	\$74,419	
	Doctorate	\$72,941	\$75,638	\$78,418	\$80,518	year
350-449	Undergraduate or less	\$59,779	\$62,218	\$64,658	\$67,099	
	Master	\$73,094	\$75,638	\$78,078	\$80,518	
	Doctorate	\$79,329	\$81,737	\$84,536	\$86,618	of
450-549	Undergraduate or less	\$59,983	\$65,879	\$68,834	\$70,758	
	Master	\$79,298	\$81,737	\$84,178	\$86,618	
	Doctorate	\$85,398	\$87,838	\$90,277	\$92,718	experience
>550	Undergraduate or less	\$67,099	\$69,853	\$71,978	\$74,419	
	Master	\$85,398	\$87,838	\$90,277	\$92,718	
	Doctorate	\$91,497	\$93,938	\$96,377	\$98,817	

Less than Full-Time:

If your congregation decides it cannot afford a full-time minister, your church leaders should take the number appropriate for size, level of education, and years in ministry and reduce that number by the reduction in time being compensated for.

If your church can only afford $\frac{3}{4}$ time, reduce the appropriate number by 25%. If your congregation can only afford $\frac{1}{2}$ time, reduce the appropriate number by 50%. If your church can only afford $\frac{1}{4}$ time, reduce the appropriate number by 75%.

Please note that working for less than full-time compensation does not mean continuing to provide all pastoral services while being compensated for only some of those services. Typically, $\frac{3}{4}$ time includes worship, pastoral care, and one missional item; $\frac{1}{2}$ time includes worship and pastoral care; $\frac{1}{4}$ time includes worship only.

Associate Pastor:

The recommended salary for associate clergy is 85% of senior pastor's compensation for comparable experience and education. The special ministry of a clergy associate should be highly valued and compensated equitably. An associate or assistant pastor, a minister of Christian education, or an authorized minister employed to serve in any other role, is treated as a full member of the staff and entitled to fair and equitable compensation.

Interim Pastor:

Churches normally hire an interim minister for the time between the departure of a pastor and the calling of a new pastor or a "sabbatical interim pastor" when a pastor is granted sabbatical leave. Full-time interim ministers shall be paid on the same scale as other full-time pastors. For part-time service, the percentage of time served dictates the percent of full-time salary in addition to benefits and expenses.

Supply Pastor:

It is recommended that occasional pulpit supply pastors receive a *minimum* of \$175 plus mileage for conducting a worship service.

BENEFITS

Pension:

The UCC Annuity Fund, a tax-sheltered annuity offering both fixed and variable annuities, is excellent and every church is strongly encouraged to participate. The recommended level of participation is 14% of the salary base (not to be confused with "IRS Base Salary" as outlined above). Pension salary base equals 130% of Cash Salary and Social Security Offset if the pastor lives in a parsonage.

Please follow these four steps for calculating annual pension when a parsonage is used:

1. $12.4\% \times (\text{cash salary}) = (\text{social security offset})$
2. $(\text{social security offset}) + (\text{cash salary amount}) = (\text{salary base})$
3. $(\text{salary base}) \times 130\% = (\text{pension salary base})$
4. $(\text{pension salary base}) \times 14\% = (\text{annual pension})$

As an example, let's say your minister's cash salary is \$65,000. Using the above four steps you can calculate the recommended annual pension:

- $12.4\% \times \$65,000 = \$8,060$ (social security offset)
- $\$8,060 + \$65,000 = \$73,060$ (salary base)
- $\$73,060 \times 130\% = \$94,978$ (pension salary base)
- $\$94,978 \times 14\% = \$13,296.92$ (annual pension)

For a pastor who receives a housing allowance, pension salary base for annuity is: 1) the Cash Salary/Monetized Cash Salary; plus 2) Housing Allowance; plus 3) Social Security Offset. Pastors are allowed to make tax-sheltered contributions to the same annuity plan within the restrictions of the applicable IRS guidelines. UCC pension contributions are not reported as current income for tax purposes.

Insurance:

The comprehensive insurance program of the United Church of Christ for pastors includes health insurance, dental insurance, group term life insurance, short- and long-term disability insurance (family protection plan). Similarly, the Hawai'i Conference offers medical and dental insurance through Kaiser Permanente and HMSA options. Speak with Ann Osalvo in the office for a comparison of plans.

- A. Health Insurance – It is recommended that churches pay 100% of the premiums for the most comprehensive medical and dental insurance offered by the UCC program.
- B. Life Insurance and Disability Income Benefit Plan – Provides disability income and decreasing term life insurance to aid families in case of disability or death. It is recommended that churches pay the premium which is 1.5% of Cash Salary/Monetized Cash Salary and Housing Allowance. *In case of disability or death, it is recommended that a local church continue to pay the pastor's salary up to three months until the Life Insurance and Disability Income Benefit Plan becomes effective.*
- C. Professional Malpractice Insurance (liability) – It is recommended that all churches purchase professional malpractice insurance to protect pastors in the event of a lawsuit due to pastoral counseling. Churches insured through the Conferences of the UCC Insurance Program already have this insurance as a component of the program.
- D. Tenant's Insurance – It is recommended that all churches provide tenant's insurance for all pastors who live in a parsonage.

Leave Time:

- A. Vacation – Pastors receive at least four weeks of annual paid vacation. In addition, eight days (two days per week) within each month should be granted as personal time for the purpose of rest and renewal. These are often called the pastor's "sabbatical days."
- B. Sick Leave – During periods of temporary illness, salary and benefits will be paid. After one month and six months respectively, the Pension Boards Short- and Long-Term

Disability Plans will provide coverage as indicated in the Life and Disability Plan documents provided by the Pension Boards.

- C. Family Medical Leave – Churches should make every effort to comply with the Family Medical Leave Act of 1993 in instances of need such as childbirth, adoption, elder care or other crises covered under this Act.
- D. Parental Leave – Parental leave with pay up to eight weeks may be taken by arrangement with the church. A pastoral leader 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.
- E. Bereavement Leave – There is no federal law that requires employers to provide employees either paid or unpaid leave. Common business practices suggest 3 days of paid bereavement leave and 2 days of unpaid bereavement leave for immediate family members. Due to the nature of ministry, the Conference recommends providing for 7 days of paid bereavement leave. If more time is needed, the pastor and church leaders will want to negotiate a leave of absence or the use of vacation time.

Continuing Education:

- A. Annual leave of at least two weeks and an annual allowance of \$1,380 continuing education should be given to every pastor. Pastors should report the results of such studies to the Pastoral Relations Committee or appropriate leadership. Whatever the dollar amount the church provides, it should accrue from year to year.
- B. Sabbaticals – It is recommended that every church have in its written call with the pastor the provision of a three-to-four month sabbatical leave every five years with full pay and benefits. The sabbatical should be a time of study, travel, or experience of personal renewal for the pastor. Pastors should plan on continuing to serve the same church for at least one year after taking such sabbatical leave. Churches should plan for the resources necessary to provide continued ministerial coverage during a pastor’s sabbatical.

PROFESSIONAL EXPENSES

A pastor’s professional expenses are not included in the base salary (Cash Salary/Monetized Cash Salary plus Furnishing or Housing Allowance plus Social Security Offset). Expenses such as the use of the pastor’s automobile, books and periodicals, etc., are costs to the church of providing pastoral services and should be reimbursed. Professional expenses are a part of the operating costs of the church and should not be considered as additional tax-free salary. Churches have many business/professional expenses which ministers incur as they carry out the work of the church.

Tax law allows the deduction of business expenses only after the minister has spent more than 2% of adjusted gross family income on such expenses. THEREFORE, it is important that churches reimburse or pay directly all costs which the pastor incurs for “doing business” for the church, so that the pastor is not paying income tax on reimbursement for church expenses. These should include at least the following:

- A. Automobile – Churches may want to consider leasing an automobile for the pastor’s professional use. Even in this situation, insurance, gasoline and maintenance expenses should be reimbursed. If the church does not provide an automobile, an automobile allowance should be provided that is at least equal to the annual IRS per mile deduction. Pastors need to submit detailed expense records to the church.
- B. Books and Periodicals – In order to encourage the continuing education of pastors and to provide literary resources for preaching and teaching, all churches should provide a minimum allowance of at least \$345 annually for the purchase of books and literature. Pastors need to submit detailed expense records to the church.
- C. Conference/Association Expenses – All non-reimbursed expenses for attending Conference and Association meetings should be paid by the church. The time involved for attending these meetings and also for serving on Conference, Association, or national UCC committees is considered part of the local church’s participation in the church’s wider ministry and not as vacation time or personal leave.
- D. Background Check Reimbursement – When a pastoral leader is called to a church or other setting, the cost of the required criminal background check shall be reimbursed to the pastor by the calling body
- E. Other Professional Expenses – Churches should pay all other expenses including stationery, telephone, computer or word processor maintenance, postage and dues for professional organization membership. Pastoral expenses for official entertainment of parishioners or prospective members should be paid by the church.
- F. Reimbursement Plans – Reimbursement plans have a distinct advantage for ministers in that the money is not taxable as income. Many churches use a reimbursement plan to pay for the pastor’s professional expenses described above. Alternatively, a Flexible Spending Account may be set up. Using a written plan that meets the requirements of the income tax regulations, the church may set aside money for additional expenses not covered by health and dental plans, or the pastor may elect to set aside part of his/her salary for this purpose. It may cover eye, dental, drug and any non-covered health expenses for the minister or the minister’s family. Reimbursement plans must abide by the following rules:
 - 1. A specific amount of money is set at the beginning of the year.
 - 2. The money is paid according to submission of expenses

3. Unused money must remain in the church account.

If the money is being set aside from the minister's salary, it is advisable that the estimate at the beginning of the year be low to minimize the risk of having money left unused at the end of the year.

See the next page for the Total Pastoral Leader Compensation Package Worksheet.

TOTAL PASTORAL LEADER COMPENSATION PACKAGE WORKSHEET

IRS Base Salary		
Cash Compensation		
Housing Provided		
Parsonage Equity Plan (for those in parsonage or renting)		
Housing Allowance (if no parsonage)		
Social Security Offset		
<i>Total IRS Base Salary (at or above Minimum Compensation Grid)</i>		
Pension and Insurance Benefits		
Pension (i.e., UCC Annuity Fund)		
Medical & Dental		
Family Protection Plan		
Disability + Life Insurance (1.5%)		
Professional Malpractice (Liability) Insurance		
Tenant's Insurance		
<i>Total Benefits</i>		
Professional Expenses		
Continuing Education & Sabbatical		
Mileage Reimbursement/Automobile		
Books and Periodicals		
Association/Conference/National Meetings		
Background Check Reimbursement		
Other Professional Expenses		
<i>Total Professional Expenses</i>		
<i>TOTAL PASTOR COMPENSATION PACKAGE</i>		