

UUA Fair Compensation Guidelines for Congregations April 2009

Overview: This document is divided into three sections; Principles of Fair Compensation, Recommendations for Congregations and Background Information for Congregations.

The compensation guidelines, initially adopted in 1995, are periodically revised to reflect changing practices in our congregations. Our goal is to recognize congregations whose compensation practices and personnel policies recognize the importance of being a responsible employer and to encourage other congregations to move toward that goal.

In 2009, a new level of recognition (Leadership) has been adopted by the UUA Compensation, Benefits, and Pension Committee. Congregations adopting and meeting all 8 Principles of the Fair Compensation Guidelines Program as well as offering the benefits described in the Leadership section will be designated as **Fair Compensation Congregations (Leadership)**. Congregations meeting the Principles of Fair Compensation, but not the additional benefits, will be designated as **Fair Compensation Congregations (Practicing)**. To allow congregations that do not yet meet the “Leadership” requirements time to adjust their compensation practices, the current Practicing designation will be continued for five years – until January 1, 2014. After January 1, 2014, the Leadership level benefit requirements will become part of the Principles of Fair Compensation. At that time, Practicing congregations that do not chose to qualify at the Leadership level may choose to become Committed congregations. Congregations adopting the Guidelines Principles as goals and developing a written plan for reaching all 8 goals within five years shall be designated Fair Compensation Congregations (Committed).

When implementing the Principles, Congregations are encouraged to always consider the recommendation. Background information is included to help clarify the principles & recommendations.

Principles of Fair Compensation

The Principles of Fair Compensation calls for congregations to:

1. **Compensation:** Compensate all staff within the Salary Range of the UUA Fair Compensation Guidelines program. For ordained clergy, the salary is comprised of salary and housing.
2. **Minister’s FICA:** Pay one half (7.65%) of the US self-employment tax (15.3%) for ministers in lieu of the employer's share of the FICA tax.
3. **Insurance:** Offer a uniform package of insurance benefits to all staff working the minimum qualifying hours. It is not expected that 100% of the cost of the benefits will be paid by the employer-congregations.

- a. Offer access to a non-taxable health insurance plan to each eligible employee and his/her dependents.
 - b. offer long-term disability insurance with benefits following 90 days of disability to each eligible employee
 - c. offer a group-term life insurance policy to each eligible employee that provides financial support to dependent survivors
 - d. offer dental insurance to each eligible employee and dependents
4. **Retirement:** Contribute an amount equal to 10 percent of eligible salary (and housing allowance and in-lieu FICA contribution for ministers) for all eligible staff
 5. **Vacation:** Provide appropriate paid vacation to all eligible employees
 6. **Professional Expenses:** Provide a professional expense allowance for all religious professionals
 7. **Continuing Education:** Provide adequate time for continuing education for religious professionals, including sabbatical leave, such time not to be confused with vacation
 8. **Personnel Policies:** Have written Personnel policies and have a committee responsible for the administration of these Guidelines and other personnel or human resource issues

Leadership Level Benefits - Congregations wishing to achieve Leadership designation will offer the following additional compensation

- **Health Insurance:** Congregations will pay for 80% of the premium for employees and 50% of the premium for eligible dependents.
- **Long-Term Disability Insurance:** Congregations will pay the employee premium and will designate the cost of this premium as imputed income for the employee.
- **Life Insurance:** Congregations will pay the employee premium.
- **Professional Expenses:** Professional Expenses will be provided for all Religious Professionals. They should be set at the greater of 10% or \$5,000 of salary (and housing for ministers), pro-rated for part-time religious professionals. Additionally, congregations should provide sufficient funding to ensure professional development for administrative staff.

FAIR COMPENSATION RECOMMENDATIONS FOR CONGREGATIONS:

Salary: The UUA Recommended Salary Ranges are based on five levels of wage rates (not the cost-of-living) in communities across the United States. These tables have been developed to assist local congregations to offer compensation linked to the wage rates and labor costs in their local economy. The minimum, midpoint, and maximum of the ranges are not intended to limit congregational decisions. It is not assumed that all new professional employees will begin at the minimum of a range. Previous experience and educational achievement should be taken into account when setting salaries. Also, a higher rate of pay is appropriate for those with longer service or who demonstrate exceptional abilities or contributions to the congregation's well being. Typically, effectively performing employees are at the midpoint of a range within three to five years. The salary ranges are intended to be used in conjunction with a unit-based system for persons whose duties make this appropriate. Ministers and other religious professionals often work irregular hours, so expectation of a typical 9 AM to 5 PM workday is unrealistic. A unit-based system counts each morning, afternoon, or evening devoted to congregational duties as a unit. Twelve units per week equal full-time service. Religious professionals are defined here as ordained ministers, directors of religious education, music directors, and exempt business administrators. It is important that all congregation staff are compensated for all time worked and are not asked to volunteer hours in addition to their paid employment. Measurements such as the cost-of-living index and employment-cost index should be taken into account annually to ensure that staff does not experience a decline in real wages over time. No salary recommendations should outlast the naturally changing wage patterns in the economy or inflation.

Benefits: It is not expected that 100% of the cost of the benefits will necessarily be paid by the employer-congregations. Congregations are urged to determine benefits coverage prior to the establishment of salary (or clergy housing allowance in the case of a minister); benefits should not be the subject of bartering about compensation. The Office of Church Staff Finances can also provide information about establishing a Section 125 Cafeteria Plan that offers more flexibility to better meet the individual benefit needs of employees.

Health Insurance: A comprehensive health insurance plan, consistent with UU Principles, is now available through the Unitarian Universalist Association. It allows congregations to provide coverage to all employees working a minimum of 750 hours annually. Any staff member may sign up for this coverage if they qualify. The portion of premiums paid by the employer can be pro-rated for less than full time staff. Ideally, congregations should consider paying at least 80% of the cost of coverage for full-time employees and 50% of the cost for dependent coverage. Coverage should be made available either through the UUA basic PPO health plan, the high deductible plan or another plan with comparable benefits. Congregations should consider reimbursing a spouse the amount withheld from the spouse's wages to provide health benefits for the congregation's employee – up to but no more than the cost to the church of providing that benefit directly.

Disability Insurance: Congregations should purchase long-term disability insurance for all employees and then add the cost of that coverage to the employee's W2. Doing so ensures that any disability benefits will be tax-free. The UUA Long Term Disability plan provides 60% of salary (and housing for ministers) to employees determined disabled. Benefits begin 90 days upon onset of the disabling condition. Disability insurance is inexpensive, provides low-cost risk

insurance for the congregation, and long-term protection for its employees. In 2009, all employees working at least half-time are eligible for the UUA Long Term Disability Plan.

Life Insurance: Congregations are urged to reimburse the cost of employee term life insurance. Many congregations will continue to pay wages to dependents of a deceased employee for a reasonable period; group-term life insurance is inexpensive and will provide low-cost risk insurance for the congregation. In 2009, all employees working at least half-time are eligible for the UUA Life Insurance Plan.

Retirement Contribution: Congregations are urged to enroll their employees in the UUA retirement plan since ministers' retirement benefits from our denominational plan receive the same IRS housing tax advantages as their earned compensation. Congregations that reach the Fair Compensation level of a 10% contribution for their employees offer their staff the opportunity to increase their retirement saving with the employees' own salary reduction contributions. In 2009, all employees working 1,000 hours/annually are eligible for the UUA Retirement Plan.

Vacation: Congregations are urged to provide one month of paid vacation time as a minimum for each religious professional. Congregations are urged to provide paid vacation to all employees to match local prevailing standards.

Professional Development: Professional development consists of two types of leave: annual continuing education and (longer term) sabbatical.

- **Study Leave:** Congregations are urged to provide adequate paid time away each year for religious professionals to enhance their skills and renew their spirit.
- **Sabbatical Leave:** Congregations are urged to offer the opportunity to accrue one month of sabbatical leave for each year of service for full-time religious professionals. This is generally accrued in a five to seven year cycle.

BACKGROUND INFORMATION FOR CONGREGATIONS

Salary: The recommended salary ranges (Geo Index tables) are recommended as appropriate for all staff serving our congregations. These ranges were established with information from surveys, compensation and benefit data from nonprofit organizations and governmental bodies, and salary ranges used by other religious denominations. Earnings of professionals in comparable secular positions and non-profit secular positions were also taken into account. It is important to note these ranges are not based on cost-of-living factors but rather what employers report as actual wages paid to persons in various professions within these areas. Geo Index tables assign a wage rate to most cities in the US. While most Canadian congregations are not part of the UUA, the UUA continues to provide some services, including those of the Ministry and Professional Leadership Staff Group. Canadian compensation consultants adapt their work to allow for differences in compensation patterns and benefits provided by law and attempt to determine the geo-indices relevant to the various congregations' locations.

Social Security: Since ordained ministers in the US are considered self-employed for purposes of social security, they must pay 100 percent of the social security self-employment tax (SECA) -- double the percentage withheld from employee wages. This Guideline recognizes that most ministers are not in the same high-income levels as other self-employed professionals. It essentially levels the playing field when the employer-congregation voluntarily pays to their minister their "employer" share of this tax. The amount contributed by the congregation (in lieu of paying employer's FICA) is subject to both income tax and SECA on the minister's federal tax return and should be included as earned income in the calculation of other wage-based benefits. An increasing number of other religious denominations are urging implementation of this provision.

Benefits: Congregations have always been urged to provide a basic benefits package in addition to salary. The definition of "basic" has changed over time. Like other employers today that desire to attract and retain qualified personnel, UU congregations should provide group health insurance, dental insurance, term-life and long-term disability insurance coverage for their employees (pro-rata for part-time employees).

Health Insurance: Since 2007, the Unitarian Universalist Association has offered a self-funded, not-for-profit health care program for those employed (at least 750 hours per year) by UU congregations and related organizations. Our mission is to enable congregations to meet their responsibilities to provide basic health insurance to their employees at a reasonable shared cost. This is a mission of faith and justice as well: joining in one non-profit insurance program makes real the UUA's commitment to social justice and a life with dignity for all persons. Subscribers may select a Standard Preferred Provider Organization (PPO) that offers many in-network routine and preventive services at 100% after modest co-pays and most other services at 90% after a \$500 deductible or a High Deductible PPO Plan that offers a lower-cost choice for those who want protection against catastrophic events combined with affordable access to preventive services. In 1995, the health insurance recommendation expected that the employer-congregation would pay 100 percent of the health insurance premiums for their staff. With the cancellation of the UUA Health Insurance Policy by Blue Cross in 1998, local congregations had to arrange coverage through carriers registered in their own states. It is not uncommon now for 70 or 80 percent of the health insurance premiums to be paid by the employer and 20 or 30 percent to be paid by the employee on a salary reduction basis.

Long-Term Disability Insurance: The UU Group Insurance Plan is available to congregations as a convenient way to accomplish this Principle. When long-term disability insurance premiums

are paid by the employee, any benefits received later are exempt from US income tax; many staff members elect this tax treatment.

Life Insurance: The UU Group Insurance Plan offers term life policies with a face value equal to 200 percent of salary (including housing allowance in the case of ministers), up to a maximum of \$150,000, at a unisex rate. Premiums may be paid by the employer or the employee.

Dental Insurance: The UU Group Insurance Plan offers dental insurance as a voluntary option. Premiums may be paid by the employer or the employee.

Retirement Contribution: The UU Organizations Retirement Plan is a 401(a) qualified plan managed by Fidelity Investments into which employer-congregations make the initial contributions on behalf of their employees. It is not a plan where the employee makes the initial contribution with an employer 'match.' Employer-congregations must enroll at least 70 percent of their eligible employees, defined as persons age 18 or older who work at least 1,000 hours per calendar year, and who have been employed for one year. Previous employment with the same or another UU organization meets the one-year requirement. Where employer-congregations contribute at least 10 percent of employee wages, employees may make additional voluntary contributions up to the US federal limits. The original 1995 Compensation Guidelines called for a 14 percent employer contribution. With the addition of the employee contributions in 1999, the recommended employer contribution percentage was changed to 10 percent. The recommended 10% contribution may seem generous compared to many plans in corporate America. On the other hand, millions of American employers and employees are greatly under-funding the tax-deferred savings they will need for an even modest retirement income. It is also recognized that many ministers now enter this profession in mid-life and have used their previous savings for seminary education. Thus there may be more pressure to make 'catch-up' contributions in retirement planning.

Professional Expense Allowance: Professional expenses include automobile and travel costs, conference and professional association expenses, expenses related to attendance at professional meetings, UUA district events, General Assembly, continuing education, subscriptions to professional publications and books, and other necessary related obligations. Professional expenses will vary greatly from ministry to ministry depending upon age, career stage, and professional interests.

Professional Development: Professionals (e.g., faculty members at universities, historically ministers) are typically eligible for sabbatical leave after five to seven years of service, with the requirement that they return for at least one full year of employment following. Congregations may need to plan financially for replacement ministerial services during the sabbatical period. Many ministers arrange their annual work schedule to take one month per year of paid "on-call leave" to be used for study, educational offerings, or professional travel. This is in addition to the month of paid vacation leave. Religious Education professionals (DREs, credentialed educators, etc) are provided professional development time usually in the two to four weeks range in order to attend Renaissance Modules or other educational programs. This is in addition to vacation, and is paid time away from the congregation. Should the minister have to return for a congregational emergency during the month of on-call leave, the travel costs are borne by the minister. Emergency travel back to the congregation during vacation leave should be paid for by the congregation. It is often mutually beneficial that these two periods not occur during consecutive months. Some ministers take one month of leave in the summer and the other after the first of the year.

Personnel Structure: Like other employers, religious congregations find it beneficial to have personnel policies in writing so that all staff are assured of equal treatment and the congregation's staffing needs are made clear. This helps avoid policy decisions made on an ad-hoc basis or which may lead to allegations of favoritism or discrimination. A personnel committee should oversee and review compensation patterns and develop and administer general personnel policies.

IN CONCLUSION...

These Guidelines have been deemed appropriate for compensation practices by UU congregations, and all Principles should be met by a congregation seeking the Fair Compensation Congregation designation.

With the exception of the regulations for enrollment in the UUA retirement plan and the UUA health plan, the Guidelines are not to be considered binding mandates that must be adopted by all UU societies. The retirement plan policies have been set by the plan trustees and are equally applied to all participating congregations.

More hierarchical religious denominations generally permit their congregations little flexibility on these matters. It has been found that most UU religious societies see the wisdom of compensation patterns that are considered fair by both the congregation and its employees. Over time, such patterns are conducive to better recruitment and retention practices, and to higher staff performance and congregational appreciation.