

**UNITARIAN UNIVERSALIST ASSOCIATION
OFFICE OF CHURCH STAFF FINANCES**

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Fair Compensation Guidelines (2014)

Introduction: Consistent with our UUA Principles that challenge Unitarian Universalist Congregations and individuals to give life to our faith by committing to justice and equity in human relations, the 1995 General Assembly adopted Fair Compensation Guidelines for all congregational staff and urged compliance by congregations. These Guidelines, as amended, continue to provide guidance to congregations. At present, the 8 components of “fair compensation” address: 1) Salary, 2) the Payment-in-lieu of FICA for ministers; 3) Insurance Benefits; 4) Retirement Benefits; 5) Vacation; 6) Professional Development/Continuing Education; 7) Professional Expenses; and 8) Personnel Policies.

With the exception of the policies governing the UUA retirement plan and the UUA health plan, these Guidelines are not binding mandates that must be adopted by all Unitarian Universalist congregations. But overtime, most vibrant UU congregations see the wisdom of adopting fair compensation policies. Over time, such policies contribute to the recruitment and retention of hard-working staff who advance congregational goals and Unitarian Universalism.

Recognition: Congregations that meet all 8 Fair Compensation Principles, as outlined in this document, are designated as a “**Fair Compensation Congregation**” by the UUA Office of Church Staff Finances. Congregations meeting some, but not all, of these Principles are designated “**Fair Compensation Congregation – Committed**” if the congregation commits to a process of achieving “Practicing” status within 5 years. Congregations must provide a plan toward the achievement of all goals within the 5 years, and update the plan each year. In 2009, a new level of recognition “**Fair Compensation Leadership Congregation**” was established by the UUA. Leadership level congregations meet all 8 Principles of Fair Compensation as well as offering the leadership-level of benefits outlined below.

As the twentieth anniversary of the initial guidelines approaches in 2015, the UUA Office of Church Staff Finances will be appointing a Fair Compensation Task Force to reflect on the question of “what constitutes fair compensation today.” We expect to update our Fair Compensation Guidelines by July 2015. Meanwhile a new certification process for “Fair Compensation Congregations” is expected to be in place for the 2014 General Assembly. Our goal is to recognize congregations whose compensation practices and personnel policies embody being a responsible employer and to encourage other congregations to move toward that goal.

Fair Compensation Guidelines:

1. **Salary Recommendation:** All staff should be compensated within the appropriate UUA Recommended Salary Range for the congregation given membership size and geographic index. For ordained clergy, the salary recommendations include salary and housing. All recommendations assume full-time employment (2080 hours). Salary recommendations do not include benefits which generally increase total compensation by approximately 35-40 percent.

Explanation: The UUA Salary Recommendations are based on comparable wage 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 are also taken into account.

The UUA Salary Ranges are adjusted based on actual wage rates (not the cost-of-living) in communities across the United States. Geo Index tables assign a wage rate (1 through 7) to each community with a UU congregation. Canadian compensation consultants adapt our recommendations to reflect cross-border compensation differences. The minimum, midpoint, and maximum of the ranges are not intended to limit congregational decisions. It is not assumed that new 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, who demonstrate exceptional abilities or contributions to the congregation's well being, or for those serving high cost-of-living communities. Typically, effectively performing employees are at the midpoint of a range within three to five years. 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 consumer price index should be taken into account annually by the congregation/employer to ensure that staff does not experience a decline in real wages over time. Congregations are also advised to understand the provisions of the Fair Labor Standards Act governing exempt and non-exempt position. We have occasionally found non-exempt employees erroneously classified as exempt. In such circumstances, congregations have occasionally found themselves liable for compensating the employee for back-pay if a compliant is filed with the state. It should also be noted that some states have stricter pay and overtime standards than the federal government.

2. **Minister's FICA Recommendation:** Congregations/Employers are expected to make a payment-in-lieu of the employer's share of FICA (7.65%) to all ordained clergy.

Explanation: Clergy compensation is complicated particularly given their "dual tax" status. The IRS expects all ministers to be classified as an employee (receiving a W2 not 1099) for purposes of employee benefits and income taxation, but ministers are also considered self-employed for purposes of Social Security/Medicare taxation. Congregations are not allowed to directly pay the employer share (7.65%) of FICA on behalf of their minister(s). Rather, ministers must pay 100% of the Self-Employment Tax (15.3%). Fair Compensation Congregations/Employers are expected to make a payment-in-lieu-of-FICA payment (7.65%) to ministers. This essentially levels the playing field since the congregation/employer voluntarily pays to their minister the "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 on the minister's W2. Note: beginning in 2014, the congregation can opt to exclude this payment from the compensation base for purposes of the employer contribution to the UUA Retirement Plan; the Congregation/Employer must document this decision on the Employer Participation Agreement that is submitted to the UUA.

3. **Insurance Recommendations:** Congregations are expected to offer a uniform package of insurance benefits to all staff working 750 hours or more annually. Congregations are not required to pay 100% of the cost of the premiums, but are encouraged to treat all employees equally. Fair Compensation Guidelines include:

- **Health Insurance Recommendation:** Offer an employer-provided health insurance plan to each employee working 750 hours or more and his/her dependents.

Explanation: Employer-provided health insurance remains the primary avenue to health care in America. Coverage should be made available either through the UUA health plan or another health insurance plan with comparable benefits. Congregations should consider paying at least 80% of the cost of coverage for all full-time employees and 50% of the cost for dependent coverage. The portion of premiums paid by the employer may be pro-rated for less than full-time staff. Some employees obtain their health insurance through their spouse. Congregations/Employers should consider reimbursing employees the incremental cost of their spouse obtaining family coverage.

Since 2007, the Unitarian Universalist Association has offered its own self-funded, not-for-profit health insurance plan. It allows congregations and other UUA-related congregations to provide to their employees quality health insurance designed with UU values. All staff members working a minimum of 750 hours annually may enroll. The goal of the UUA health plan is to enable congregations to meet their responsibilities to provide quality health insurance to their employees at a reasonable shared cost. This is a mission of faith and justice as well: joining together as a faith community embodies the congregation's/employer's commitment to social justice and a life with dignity for all persons. In 2014, the UUA health plan offers the choice of three plans (Gold, Silver, and Bronze) with varying levels of benefits, deductibles, and out-of-pocket limits. The added benefit of offering the UUA Health Plan is the availability to contact the UUA Health Plan Director – not a call center - to reconcile any insurance-related problems if and when they occur.

Congregations have the option of purchasing insurance for their employees through the health insurance exchanges established by the Affordable Care Act (ACA). In doing so, it is important for both congregational leaders and employees understand the trade-offs associated with benefits, fees, and customer service. Is the plan, for instance, consistent with UU Values? Does the plan provide for same-sex partners, or non-adopted children of the employee? What about the array of reproductive health services? If an employee opts out of the employer-provided health plan in order to purchase insurance through an ACA exchange, the employee is generally not eligible for any federal subsidies. In such circumstance, the congregation must decide whether to increase the employee's salary to help offset the cost of insurance. Any offset provided the employee will be fully taxable. The UUA Health Plan staff can assist congregational leaders to understand the complexities and implications of the Affordable Care Act.

- **Long Term Disability Insurance Recommendation:** Offer eligible employees the opportunity to enroll for long-term disability insurance benefits. The UUA offers affordable long-term disability coverage that protects both the employing congregation and the employee. Eligible employees are those hired to work 750 hours per year or more; there is no waiting period before enrollment – new employees are eligible to enroll immediately, and must apply within the first 60 days from date of hire. After 60 days, employees must undergo a proof of insurability review.

Explanation: Congregations/Employers need to offer all eligible employees the opportunity to enroll for long-term disability insurance upon hire during the on-boarding process. It is often assumed that Social Security Disability Insurance (SSDI) is sufficient coverage, but navigating its application process often takes years during which no income is available to the ill or dying applicant. When illness, disability, or accident occurs to an uncovered employee, what responsibility does the congregation hold for providing income support? Every year, the UUA Office of Church Staff Finances learns of ten to twelve employees who are faced with significant health challenges including life-threatening cancer, heart disease, strokes, Parkinson’s disease and other debilitating conditions, or the results of an automobile accident or serious fall. About half of these individuals have the financial safety net offered by having long-term disability insurance, while the other half may face the end of their ability to earn income, at the same time that they are suffering debilitating illness, disability, and/or possibly a terminal diagnosis. In the latter situation, congregations struggle to assist since they feel responsible for not providing employees with the timely opportunity to enroll in long-term disability insurance, and therefore the congregation has essentially elected to make the employee whole, or to cut them loose to fend for themselves while they are medically unable to continue to work.

Long-term disability insurance is available to congregations through the UUA. The UUA Long Term Disability plan, insured by Guardian Life - effective January 1, 2014 - provides two-thirds of salary (plus housing for ministers) to employees with an approved long-term disability claim. Benefits may begin 90 days after the “date of disability” as determined by the insurer. In addition, if the employee has been enrolled in their own employer’s health insurance, then the individual will receive up to \$600 per month toward the cost of COBRA coverage. Also, a contribution of 3% will be deposited in the retirement account of individuals approved for LTD benefits after January 1, 2014. Long-Term disability insurance is not expensive, provides low-cost risk insurance for the congregation, and long-term income protection for its employees. The UUA recommends the employer paying the cost of the insurance (currently 1% of salary (salary and housing for ministers)), but imputing an amount equal to the premium as taxable income on the employee’s W2. In this way, any payable LTD benefits are exempt from US federal income tax.

Congregations that have never offered LTD insurance to all of their staff, particularly the non-clergy members of the staff, should contact the UUA Office on Church Staff Finances (insuranceplans@uua.org) to learn how they might be able to do so.

- **Group Term Life Insurance Recommendation:** Offer eligible employees the opportunity to enroll for group term life insurance benefits. Eligible employees are those hired to work 750 hours per year or more; there is no waiting period before enrollment – new employees are eligible to enroll immediately, and must apply within their first 60 days from date of hire.

Explanation: Congregations are urged to reimburse the cost of the employee’s group term life insurance. Group-term life insurance is inexpensive and provides a benefit to the named beneficiary(s) if an employee, or enrolled dependent, dies while covered. The UUA Group Term Life Insurance Plan, administered by Guardian Life - effective January 1, 2014 - offers coverage with a face value equal to 200 percent of salary (salary plus housing for ministers), up to a maximum of \$200,000. Spousal and dependent child coverage is also available for a low additional premium currently approximately five dollars per month. Premiums may be paid by either the employer or the employee. A significant benefit

provision is the accelerated life benefit. If a covered individual is diagnosed with less than a year to live, the individual will have quick access to 50% of their covered amount to help cover expenses or fulfill dreams. Some employees without dependents choose to designate the UUA, the Living Tradition Fund, or another UUA-related organization as their beneficiary. The amount of Life coverage is reduced at age 65 (by 35%) and again at age 70.

- **Dental Insurance:** Offer eligible employees the opportunity to enroll for dental insurance. Eligible employees are those hired to work 750 hours or more per year; there is no waiting period before enrollment – new employees are eligible to enroll immediately, and must apply within their first 60 days from date of hire, or await an Open Enrollment opportunity.

Explanation: Having dental insurance results in savings to the insured because the base fee charged by dentists is substantially lower than the fee the dentist would charge if the individual didn't have insurance; this is further amplified if the participant seeks a participating dental provider (rather than an out-of-network provider). The insurance payment furthers the savings realized by the enrolled participant. The UUA Office of Church Staff Finances offers dental insurance through MetLife. This insurance offers an annual maximum benefit of \$1,750 per person (not per family). Some congregations/participating employers pay the entire dental insurance premium on behalf of their employees; others pay 80 percent; while others require the employee to pay the full cost.

4. **Retirement Contribution Recommendation:** Provide a minimum employer retirement plan contribution of 10 percent to eligible employees. Eligible employees are those: 1) who have met the initial year of eligibility service requirement: working 1,000 hours during a 12 month period, or 2) who are already enrolled in the Plan due to previous employment with a participating employer, or 3) who completed a ministerial internship. On a related note, under the UUA Retirement Plan, restated effective in 2014, all employees, including part-time employees, may make their own voluntary deferred salary contributions upon date of employment.

Explanation: Informed people of all walks of life view adequately planning for their reasonably comfortable retirement to be a real challenge. Given our commitments to justice and fairness, and the desire to ensure a dignified retirement for all congregational employees, providing a well-designed and well-managed retirement plan is a central provision of the UUA Fair Compensation Guidelines. The UU Organizations Retirement Plan has over 3,000 participants (active employees, terminated employees, retirees, and survivors) in approximately 750 participating congregations/employers. These individuals had \$249.7 million invested as of September 30, 2013. The UUA Plan is a qualified multi-employer 401(a) defined contribution plan with a 401(k) component. This means that it was established for participating employers to provide retirement contributions to their eligible employees, but all employees, even part-time employees, can also make their own pre-tax salary reduction contributions. We urge congregations to participate in the UUA Plan. For ministers, there is a substantial federal tax-benefit to having their retirement accounts invested in their denominational retirement plan since distributions are tax-free if applied to their housing expenses.

For 2014, the UUA Fair Compensation requirement of an employer contribution of a minimum of 10 percent may be met by any combination of offered employer contributions (base employer contribution and matching contribution) totaling at least 10 percent. The UUA Fair Compensation Recommendation may seem generous compared to some plans in corporate America, but tens of millions of American employers and employees are greatly under-funding what they will

need for an even modest retirement income. Many of our ministers now enter this profession in mid-life. Some have financed their ministerial education with their retirement savings. In addition, salaries for congregational staff tend to be lower than equivalent jobs in the community. Our staff accept lower salaries because they are dedicated to advancing Unitarian Universalism. A 10 percent retirement plan contribution recognizes the sacrifices made by congregational staff.

5. **Vacation Recommendations:** Provide appropriate paid vacation to all eligible employees.

Explanation: 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 commensurate with prevailing local standards to all other employees.

6. **Professional Development/Continuing Education Recommendations:** Provide adequate time for continuing education for all religious professionals (ministers, religious education directors, and music directors), including sabbatical leave, such time not to be confused with vacation. Professional development consists of two types of leave: annual study leave/continuing education and (longer term) sabbatical.

- a. **Study Leave (Continuing Education):** Congregations are urged to provide adequate paid time away each year for religious professionals to enhance their skills and renew their spirit.
- b. **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 and pro-rated for part-time professionals. This is generally accrued in a five-to-seven year cycle.

Explanation: The work of serving as a religious professional is rewarding, but it can also be a grueling profession. Many, if not most, full-time ministers have 6 day workweeks that may be longer if there is a death in the congregational family or major congregational event. To help compensate for this schedule, ministers generally take one month per year of paid "on-call leave" to be used for study, spiritual refreshment, or professional travel. Study leave is in addition to vacation leave. Religious Educators, Musicians, and Administrators should also be provided two-to-four weeks of professional development time in addition to vacation. Ministers and other Religious Professionals traditionally are eligible for paid sabbatical leave after five-to-seven years of service. Congregations should plan financially for replacement services during the sabbatical period.

7. **Professional Expense Recommendations:** Provide a professional expense allowance for all religious professionals

Explanation: Professional expenses include automobile and travel costs, professional association expenses, expenses related to attendance at professional meetings (UUMA, LREDA, UUMN, AUUA, and similar organizations), UUA district events, General Assembly, continuing education, subscriptions to professional publications and books, computers, and other necessary related obligations. Professional expenses will vary greatly depending upon age, career stage, professional interests, and resources provided by the congregation. It is important that professional expenses be reimbursed through an accountable reimbursement plan otherwise reimbursements might become taxable to the employee.

8. **Personnel Policies:** Have written personnel policies and a committee responsible for the administration of these Guidelines and of other related personnel issues such as a formal ongoing process for newly hired employees, written job descriptions, and clear performance expectations.

Explanation: Like other employers, religious congregations find it beneficial to have personnel policies in writing so that equal treatment is assured and the congregation's responsibilities and staffing needs are made clear. This helps avoid policy decisions being made on an ad-hoc basis and/or actions 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 which take into account the legal and other requirements of the employee benefits being provided. The UUA Office of Church Staff Finances can assist congregations with sample policies and problem-solving advice.

9. **Leadership Level Benefits:** In 2009, a new level of recognition (Leadership) was established by the UUA. Congregations adopting and meeting all 8 Principles of the Fair Compensation Guidelines Program as well as offering the leadership-level of benefits will be designated as **Fair Compensation Leadership Congregations.**” The leadership-level of benefits are:

- **Health Insurance:** Congregations will pay 80% of the health insurance premium for eligible full-time employees and 50% of the incremental cost for eligible dependents.
- **Long-Term Disability Insurance:** Congregations will pay the premium for eligible employees and impute the cost as income on the employee’s W2. In this way, any disability benefits received are received free from federal income taxes.
- **Life Insurance:** Congregations will pay the premium for eligible employees.
- **Professional Expenses:** All Religious Professionals will receive professional expenses totaling 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.