

Sample Covenant of Understanding

Introduction

MC USA congregations are expected to have a written annual agreement with their employees. To calculate the salary of pastoral staff, use the Pastoral Salary Guidelines. The Pastor Salary Guidelines are updated every year in the spring.

This document can be modified by deleting this introduction, replacing [the words in brackets] and making other changes that fit your congregational needs.

If you would prefer to work with this document in a format that allows you to choose options from a drop-down menu and fill-in-the-blank style fields, [click here](#).

2022

COVENANT OF UNDERSTANDING

A covenant between [name of pastor] and [name of congregation], [city and state]:

1. **Position and period of effectiveness.** This position carries the title of [pastor or other title] of the [name of congregation] and is a [full or a percentage] time position. The specific conditions of this Covenant of Understanding shall be effective for a period of one year, beginning [date] and ending [date].

2. **Term.** (Pick one of the following two options.)

Set Term. The pastor's term shall be [3 or more] years with the initial term beginning [date] and ending on [date]. The current term shall be reviewed by the [governing body] or its designated representatives at least six months prior to the ending date and is subject to renewal for another term by [at least 67] percent vote for approval of the congregation [at least ninety days before the ending date].

Open-ended term. The pastor's term shall be open-ended with regular annual reviews by the [governing body] or its designated representatives. A vote by the congregation on the pastor's continuing ministry can be taken only after a resolution to that effect has been approved by a simple majority of the votes cast by the [governing body]. The following vote on the pastor's continuing employment by the congregation shall receive [at least 67] percent of the vote cast for approval.

3. **Salary.** The congregation will provide the pastor with an annual total cash salary of \$_____. (from line 16 of Salary Guidelines) Of this amount, \$_____ shall be designated as a housing allowance, which includes housing costs, utilities, furnishings, and appurtenances as defined by the Internal Revenue Service.

4. **Housing Adjustments for Parsonage.** *(Include this section if there is a parsonage and such items are not included in item #3.)* The congregation will provide the pastor and family with a parsonage, and agrees to keep the same in good repair, paying for such items as improvements, repairs, and redecorating.

(Note: Some congregations also provide the following items along with a parsonage.)

- The congregation [will directly pay for all or will not pay for] utilities of the parsonage.
- The congregation will provide \$_____ as an annual discretionary fund to the pastor for improvements and redecorating (not repairs or maintenance). The discretionary fund will be held by the congregation and may be allowed to accumulate up to three years for more substantial improvements.
- In order to partially compensate the pastor for inability to gain some capital resources for long term housing needs, the congregation agrees to establish a housing equity fund equal to [three to five percent of the cash salary or two percent of assessed parsonage value] which is \$_____ this year. This fund will be held by the congregation until employment is terminated. This may be considered taxable income at that time.

5. **Pension Plan/Retirement Fund.** The congregation agrees to participate in the [Mennonite Retirement Trust administered by Everence or other retirement investment options] at the rate of [usually 8 – 10] percent of annual cash salary. The amount for this year will be \$ _____. (from line 18 of Salary Guidelines)

6. **Health plan.** (Choose one of the following options.)

[The congregation will provide the pastor [and family (children included in the basic family coverage through eligible age limits)] with [The Corinthian Plan or other medical insurance plans]. Payment will be made directly by the congregation.]

[Instead of providing a group insurance plan the congregation has provided additional compensation which is taxable and the pastor may use these funds to pay for health insurance premiums.]

7. **Sick and family leave.** The congregation will grant one day per month for sick leave which may accumulate up to a total of ninety days. Arrangements for long term illness beyond accumulated sick days will be reviewed by [governing body].

The congregation will also make provision for family leave. It is understood that the pastor will assist the congregation in planning for the needed interim ministry required during that time.

8. **Travel and auto expenses.** The congregation agrees to reimburse the pastor for church-related travel at the rate of [IRS rate suggested] cents per mile based upon report of a regular travel log.

9. **Vacation, holidays and personal days.** The pastor will be granted [2 – 4 suggested based on tenure—see guidelines] weeks of vacation annually. Unused vacation may not be used in subsequent years without permission of the [governing body]. Upon termination of services, the last vacation period will be prorated in proportion to the time served that year.

Holidays normally observed by society will be time off with compensatory days for those religious holidays which call for pastoral duty. The pastor is regularly given one and one half days off each week from pastoral responsibilities.

[Some congregations provide one weekend each quarter as time off from pastoral responsibilities in addition to the above in recognition of the fact that the normal pastoral schedule calls for extra and unusual hours.]

The pastor is allowed [3 recommended] personal days per year for special situations not covered by other guidelines.

10. **Continuing education.** The church supports various types of continuing education which will encourage the professional growth of the pastor including the purchase of books and subscriptions related to professional responsibilities. A maximum of ten working days and \$_____ will be provided annually for such activities. These may be accumulated over three years within the congregation being served to permit participation in something such as the seminary interterm or summer school.
11. **Office expense.** The church will provide adequate office equipment and furniture and pay for expenses of operating the church office such as stationery, postage, telephone, copying, computer, internet connection and other supplies.
12. **Conference and community.** The congregation encourages and supports the pastor's participation in area conference and Mennonite Church USA activities as a part of our congregation's sharing in the larger church, as well as in local community projects. The church will pay for the normal transportation cost (the lesser of auto mileage, car rental or air fare), registration, lodging, and meals.
13. **Social Security.** By law the licensed or ordained minister must make Social Security payments as if self-employed. [Some congregations choose to assist by paying one half of the Social Security as would the normal employer, recognizing that this is taxable income.]
14. **Sabbatical leave.** In order to encourage significant growth in ministry and to increase the likelihood of longer pastoral tenure, the congregation agrees to the following sabbatical policy. For each year of completed service to this congregation (other than the year in which a sabbatical leave is received), one month of sabbatical leave may be granted, not to be used until the fourth year of ministry here, with subsequent three month sabbatical leaves during the eighth and twelfth years of ministry. During the sabbatical, the pastor will receive full salary and benefits as exist in the then current covenant of understanding. Sabbatical plans submitted by the pastor shall be approved by the [governing body], normally three months prior to the sabbatical. Following a sabbatical, the pastor agrees to provide a minimum of one year of service to the congregation, with the understanding that repayment of sabbatical salary and benefits will be made for failure to do so. Accumulated sabbatical time is not transferable from prior congregational locations, nor is a terminal sabbatical acceptable.
15. **Insurance.** [If the congregation does not participate in The Corinthian Plan which includes life and disability insurance, it should provide life insurance, survivors aid, and disability insurance for the pastor. These benefits can provide significant protection to both the pastor's family and to the congregation. Disability insurance should provide two thirds annual salary including Social Security disability payments. A life insurance policy should provide coverage approximately equal to annual salary.]
16. **Resignation and termination.** In the event the pastor chooses to resign this position, the [governing body] shall be given a minimum notice of ninety days prior to the effective date of resignation. Should the church choose to terminate the pastor in this position, they likewise will give a minimum of ninety days' notice prior to the effective date of termination. If immediate dismissal occurs, for reasons other than ethical violations for which ministerial credentials have been terminated by the area conference, severance pay and benefits equal to ninety days shall be given.
17. **Review.** All the terms of the covenant of understanding shall be reviewed annually by the [governing body or its designated representatives] meeting with the pastor, and in time for the preparation of the annual budget of the congregation.
18. **Signatures with a copy to each.**

Official congregational representative, position or office

date

Pastor

date

Conference Minister or overseer

date