

# ~ COMPENSATION GUIDELINES~ Ministers of Word and Sacrament, Parsonage provided

A. SALARY Table 1 Shows the *Salary* figures for ordained ministers.

Year	Base	Housing Allowance	SECA	Defined Comp	Cash Comp	Housing Equity
0	43,223	12,966	4,298	60,487	47,521	1,814
1	43,745	13,123	4,350	61,218	48,095	1,836
2	44,268	13,280	4,402	61,950	48,670	1,858
3	44,791	13,437	4,454	62,682	49,245	1,880
4	45,314	13,594	4,506	63,414	49,820	1,902
5	45,836	13,750	4,558	64,144	50,394	1,924
6	46,359	13,907	4,610	64,876	50,969	1,946
7	46,882	14,064	4,662	65,608	51,544	1,968
8	47,405	14,221	4,714	66,340	52,119	1,990
9	47,927	14,378	4,766	67,071	52,693	2,012
10	48,450	14,535	4,818	67,803	53,268	2,034
11	48,973	14,691	4,870	68,534	53,843	2,056
12	49,496	14,848	4,922	69,266	54,418	2,077
13	50,018	15,005	4,974	69,997	54,992	2,099
14	50,541	15,162	5,026	70,729	55,567	2,121
15	51,064	15,319	5,078	71,461	56,142	2,143
16	51,587	15,476	5,130	72,193	56,717	2,165
17	52,109	15,632	5,182	72,923	57,291	2,187
18	52,632	15,789	5,234	73,655	57,866	2,209
19	53,155	15,946	5,286	74,387	58,441	2,231
20	53,573	16,071	5,327	74,971	58,900	2,249
21	53,991	16,197	5,369	75,557	59,360	2,266
22	54,409	16,322	5,410	76,141	59,819	2,284
23	54,828	16,448	5,452	76,728	60,280	2,301
24	55,246	16,573	5,494	77,313	60,740	2,319
25	55,664	16,699	5,535	77,898	61,199	2,336
26	55,978	16,793	5,566	78,337	61,544	2,350
27	56,291	16,887	5,598	78,776	61,889	2,363
28	56,605	16,981	5,629	79,215	62,234	2,376
29	56,919	17,075	5,660	79,654	62,579	2,389
30	57,232	17,169	5,691	80,092	62,923	2,402
31	57,546	17,263	5,722	80,531	63,268	2,415
32	57,860	17,358	5,754	80,972	63,614	2,429
33	58,173	17,451	5,785	81,409	63,958	2,442
34	58,487	17,546	5,816	81,849	64,303	2,455
35	58,801	17,640	5,847	82,288	64,648	2,468
36	59,114	17,734	5,878	82,726	64,992	2,481
37	59,428	17,828	5,910	83,166	65,338	2,494
38	59,741	17,922	5,941	83,604	65,682	2,508
39	60,055	18,016	5,972	84,043	66,027	2,521
40	60,369	18,110	6,003	84,482	66,372	2,534

Notes about this table: The column “Defined Compensation” is a technical term used by Portico. It includes all compensation to the Pastor and is used to calculate the cost of the Pastor’s pension and health care plan. The Defined Compensation is the same for all Pastors, parsonage or not. Table 1 outlines how it is arrived at. The column labeled “Cash compensation” is what the Pastor will actually be paid. As the congregation provides a parsonage however, the Cash Compensation is different from the Defined Compensation. It is reduced by the amount that would otherwise be housing allowance but leaves the Self Employment Compensation Allowance in place.

Why so complicated? The housing that is supplied by the congregation has a cash value to the Pastor. The Pastor’s Cash Salary is therefore reduced. It is reduced by an amount that represents the cost of housing the Pastor and family. But, for purposes of calculating pension and health insurance a common figure, the Defined Compensation, is used. This figure is the same for Pastors with or without a parsonage. This rather complicated accounting maneuver is necessary to make sure that a Pastor who has spent many years in a parsonage will have sufficient pension funds to retire on.

### **HOUSING EQUITY ALLOWANCE**

When a Pastor lives in a parsonage some benefits of homeownership go unrealized. One benefit of home ownership is increased equity in the house owned. To adjust for this, since the Pastor might one day need to purchase a house upon retirement or departure to another call, is to establish an Equity Allowance.

**The amount of this Equity Allowance is 3% of the Defined Compensation per year.**

The congregation needs to establish an account into which the 3% allowance is deposited in regular intervals. When the Pastor departs from the congregation the Pastor has the rights to these funds.

### **SELF EMPLOYMENT COMPENSATION ALLOWANCE (SECA)**

Congregation should provide a minimum allowance that corresponds to the employer portion of social security taxes (7.65% of column 1 plus column 2 in Table 1 for 2020) as is done by the Southern Ohio Synod. Congregations may further choose to provide for some or all of the remaining social security taxes (7.65% for 2020). The Pastor reports it as salary regardless what is provided.

### **AUTOMOBILE EXPENSES**

When a Pastor is required to use her/his automobile in carrying out his/her ministry and responsibilities, the use of the automobile should be considered a business expense of the congregation. The congregation may negotiate with the Pastor to:

1. Lease or purchase an automobile for use by the Pastor and pay all related expenses; or

2. Pay a cents-per-mile reimbursement for actual business miles driven at the current IRS rate when the Pastor uses his or her automobile (Check the IRS website at [www.irs.gov](http://www.irs.gov) for the latest mileage reimbursement rate.); or
3. Pay the Pastor an equal monthly allowance sufficient which is reported to the IRS as taxable income.

**It is recommended that the congregation budget \$3,000/ year as Automotive Expenses, depending on local conditions.**

### **PROFESSIONAL EXPENSES**

Professional expenses include books, professional journals, magazines, vestments and other costs that help a Pastor carry on an effective ministry in the congregation. The congregation may negotiate with the Pastor to either:

1. Pay all professional expenses as they occur with no maximum; or
2. Pay all professional expenses as they occur up to a maximum allowance; or
3. Establish an expense allowance paid in equal monthly installments which must be reported as taxable income.

Reimbursing the Pastor for the use of his/her personal phone in the conduct of day to day ministry needs to be considered as a professional expense.

**It is recommended that the congregation budget professional expenses in these amounts:  
\$400/ year — general expenses  
\$1200/ year — single line cost of cell service. (\$100 per month)**

Congregations may want to consider increasing professional expense allowances at certain times, such as after a move or during periods of increased continuing education. It shall be understood that purchases are the property of the Pastor.

### **CONTINUING EDUCATION ALLOWANCE**

Continuing education is an investment in the ministry of our Pastors. It is important for Pastors to improve or acquire skills, and experience personal and professional growth for a more effective ministry. The ELCA recommends that Pastors have a minimum of 50 contact hours of continuing education per year. In addition to vacation, therefore, congregations are encouraged to make available at least two weeks per year (including two Sundays) for Pastors to engage in continuing education.

**It is recommended that the congregation budget a minimum of \$1,200 per year** to assist the Pastor in meeting the costs of tuition, books, supplies, travel and living expenses while on educational leave, as well as continue the Pastor's regular compensation, defray the cost of pulpit supply and meet the expense of other Pastoral services.

Continuing education time and allocated funds accrue to an individual Pastor in relation to a call in a particular congregation. When a Pastor leaves that specific call, accrued continuing education time and funds are forfeited. Additionally, continuing education time and funds may not be transferred to a Pastor who replaces a Pastor in a place where such time has accrued.

### **PENSION, HEALTH, SURVIVOR AND DISABILITY BENEFITS**

Congregations shall sponsor the Pastor in the Pension and Other Benefits Program of the ELCA, Portico Benefit Services, which provides retirement, disability, survivor, and medical-dental coverage. Sponsorship will include medical-coverage for the Pastor's spouse and children unless they have other employer-provided group medical insurance coverage and the Pastor consents to waiving medical-dental coverage for them under the ELCA program.

Portico currently offers a range of plans to best match the Pastor's healthcare needs. Some plans offer a healthcare spending account that allows both the Pastor and the congregation to set aside money the Pastor can spend on any medical expenses. Whichever plan the Pastor believes is best fit to the Pastors' family, **the congregation should budget for Portico's GOLD level coverage, regardless of which plan the Pastor chooses.**

Portico Benefit Services adjusts contribution rates annually based on current economic and regional realities. The board sends a letter to each congregation in mid-August that delineates the figures for the next year. The most current contribution rates may be also acquired by visiting the Board of Pensions web site and following the instructions for its easy-to-use contribution rate calculator at <http://www.porticobenefits.org>. Portico Benefit Services is happy to answer questions about their benefits programs. Call them at their Service Center at 1-800-352-2876 or 1-612-333-7651.

### **AN EXAMPLE**

As an example, let us consider a congregation which is calculating the salary and cost of the Pastor's ministry who is 40 years old and a 12-year veteran. Using the figures in Table 1, they would arrive with the following.

**TABLE 2: A SIMPLE SALARY STATEMENT**

	<b>Negotiated Comp</b>	<b>Guideline</b>
Salary & Housing		
Salary	49,496	49,496
FICA Reimb (SECA)	4,922	
Total	54,418	54,418
Utilities Allowance		
Furnishings Allowance		
Total Cash Compensation	54,418	
Benefits		
Housing Equity	2,077	2,077
Health & Pension	30,470	
Continuing Ed	1,200	1,200
Professional Exp	1,600	1,600
Automobile Exp	3,000	3,000
Total	38,347	
Total Compensation	92,765	

In this example, a SECA of \$4,922 has been designated and the amount actually paid to the Pastor is \$54,418, as seen in Table 1.

The congregation will add \$2,077 to a savings account as Equity Allowance. The congregation budgeted \$1,200 to invest in its Pastor’s continuing education. They did choose to use the recommended amounts for professional expenses and cellphone usage as well as Automobile Allowance.

In this example, the Pastor has a family so the congregation has contacted Portico and has been quoted a cost of medical, pension, and survivor benefits of \$30,470. The total for the Pastoral ministry budget line in this congregation would then be: \$92,765.

**DETAILED CALCULATIONS**

Though the above example is sufficient for understanding the salary of the Pastor further detail is needed for the **congregation’s treasurer**. In the following table the salary is broken down further so the proper filings with the internal Revenue Service can be made and so that the proper contributions to Portico can be calculated.

**TABLE 3: DETAILED SAMPLE CALCULATIONS**

Ln	Item	Negotiated Comp	Guideline	Comment
1	Salary			
2	Guideline Base	49,496		
3	Merit Increase			
4	Local Cost of Living Adj			
5	Additional Negotiated Salary			
6	Total Salary	49,496		Sum of Lines 2 to 5
7	Housing			
8	Housing Allow	14,848		Not paid to Pastor
9	Utilities Allowance			If paid directly to Pastor
10	Furnishings Allowance			If paid directly to Pastor
11	Housing Equity Allowance			If paid directly to Pastor
12	Total Housing	14,848		Sum of Lines 8 to 11
13	Salary plus Housing Allowance	64,344		Line 6 + Line 12
14	FICAREimb (SECA)	4,922		Recommended:7.65% of Line 13
15	Cash Compensation	54,418	50,242	Line 6 + Line 14
16	Defined Compensation	69,266	63,951	Line 13+ Line 14
17	IRS Taxable Compensation	54,418		Line 6 + Line 14
18				
19	Benefits			
20	Health & Pension	30,470		Recommended:Portico Gold 10% Retirement using Line 16
21	Housing Equity Allowance	2,077	1,988	If Tax Deferred
22	Continuing Education	1,200	750	
23	Professional Exp	1,600	1,600	
24	Automobile Exp	3,000	3,000	
25	Total Benefits	38,347		
	<b>Total Compensation</b>	<b>92,765</b>		<b>Line 10 + Line 19</b>

A few comments on this example. Yes, a housing allowance has been calculated and has been included in the calculations. But, as noted in the table, it is not paid to the Pastor. It is used as the value of housing that is supplied by the parsonage. Why is this? When the Recommended Compensation Guidelines are assembled, we begin with a Baseline Salary. We add to that Baseline an amount of 30% of the baseline which is then considered Housing Allowance. SECA

Allowance is calculated based on the sum of those figures. When the SECA Allowance is added to the total we arrive at the Defined Compensation that will be used for Pension and Health Benefit calculations. If two congregations, one with a parsonage and one without, were to both follow these guidelines, they would arrive at identical Defined Compensations which is the goal of these guidelines. However, as the example above shows, your congregation, with a parsonage available, would actually pay the Pastor a cash salary that has been reduced by the amount of the housing allowance. As housing is tax deductible for Ordained Ministers, the Taxable Compensation is also the Defined Compensation minus the housing allowance. This taxable income is also identical from congregation that follows guidelines to another parsonage or not.

### **OTHER CONSIDERATIONS**

Our congregations come in many sizes, yet these guidelines use years of service as the prime factor of setting the salary of the Pastor. This is so because different size congregations require different skill sets, though these skill sets overlap to a certain degree. A larger congregation or one that finds itself financially well blessed might well afford to pay its Pastors a higher salary than proposed in this document and can add an additional amount to line 5 in Table 3. Such a congregation is invited to prayerfully do exactly that.

When a vacancy occurs in a staff ministry the remaining rostered leaders are naturally asked to shoulder extra duties and work extra hours to sustain the ministry of the congregation. At such time a bonus for extra work is appropriate and needs to be added to the remaining rostered leaders' salaries for the duration of the vacancy.

Staff ministries require further consideration by the congregation. Invariably one Pastor is designated as the "lead Pastor." The congregation should strongly consider paying the lead Pastor at a rate equal or higher than the associate(s). For example: A newly called lead Pastor with less experience may share ministry with a more experienced associate Pastor.

The Southern Ohio Synod territory is economically highly diverse. In 2018 the Bureau of Labor Statistics reported that the average weekly wage in the synod's territory ranged from \$576 at the low end to \$1,205 at the high end. The guidelines here offered are aimed at the average Lutheran Pastor in Ohio. Both Pastor and congregation need to look seriously and with prayer at the local realities to determine whether the call to and of the congregation is affordable or feasible.

### **SUPPORTING ROSTERED MINISTERS HEALTH AND WELLBEING**

The church recognizes that its Rostered Ministers are gifts from God and, like all such gifts, require careful stewardship. Such care is the responsibility of every expression of the church. This section discusses the ways in which the congregation cares for its Rostered Ministers, and promotes the careful stewardship of their energies and gifts. Such careful stewardship is intentional care not only of the Rostered Minister, but also of the congregation and the larger church. People grow best in their discipleship in healthy congregations, and are best served by healthy leaders.

## **HEALTHY LEADERS: Resilient Leaders Shape Healthy Faith Communities**

Healthy, resilient leaders shape healthy, resilient faith communities. Congregation members and organizations are called upon to provide their leaders with sustainable livelihoods as well as time to tend their well-being. The ELCA has long advocated for a careful stewardship of our Rostered Ministers' health and wholeness. As stated on the ELCA website regarding health and wellness: "Physical and mental health is an essential component of a Christian vocation and is God's intention for every human being. It is vital to our well-being and helps strengthen relationships and enhance our Christian service in our communities and world. Promoting good health is our shared endeavor with God, just as caring for our neighbor's health is an expression of Christian love and service."

Many Rostered Ministers suffer from stress, overweight, high blood pressure and/or high cholesterol, much of which stems from their vocational responsibilities. These unhealthy conditions not only reduce their effectiveness and quality of life, but also contribute directly to the rising cost of the congregation's cost for healthcare benefits. To ensure healthy ministers and to help control rising insurance costs, Rostered Ministers are encouraged to participate in Portico's annual wellness program.

Rostered Ministers and congregations are encouraged to work together to identify methods of safeguarding and improving the physical, emotional, social, intellectual, vocational, and spiritual health and well-being of their Rostered Ministers. Such a discussion should define specific and mutually beneficial practices that respect a Rostered Minister's personal time, establish reasonable work schedules, and encourage a healthy lifestyle. Additionally, congregations are encouraged to promote self-care to ensure healthy congregations and healthy leaders.

## **WORK WEEK**

It often seems that the work of ministry is "never done" and that there are never enough hours in the week. However, Rostered Ministers, like anyone else, need time off from work to replenish and re-energize.

- Rostered Ministers should have two full days off per week. These days off should be granted and encouraged to be free from ministry-related responsibilities.
- For the well-being of the rostered minister and health of the congregation, Rostered Ministers should not schedule work that exceed 50 hours in a single work week.
- The Rostered Minister's schedule (days/hours) may be negotiated as necessary.

## **HOLIDAYS**

The responsibilities of Rostered Ministers often means that they are unable to take advantage of the three-day weekends and other holidays, such as Christmas and Easter, that most other people are able to observe.

- It is recommended, therefore, that the nine to eleven holidays observed by the general public, plus three floating personal days, should be designated as observed holidays by

the congregation.

- Considerations should then be given, and Rostered Ministers should be encouraged, to take these days off at another time during the week whenever they cannot be observed because of Pastoral responsibilities.

## **VACATION**

- A minimum of four weeks of paid Vacation (including four Sundays) per year is recommended.
- Additional vacation time may be considered and negotiated between the rostered minister and their congregation.

## **PERSONAL LEAVE FOR FAITH AND SABBATICAL LEAVE**

Time for Personal Leave for Faith or Sabbatical Leave may be offered by the Congregation for all Rostered Ministers.

- For Rostered Ministers serving in the Southern Ohio Synod please see the Personal Leave for Faith for guidance in planning for this special time away for faith renewal.
- Personal Leave for Faith for faith renewal is designed to offer means for planning for time away for faith renewal in congregations that do not have Sabbatical leave policies or for whom extended leave may not be feasible. Personal Leave for Faith does not override any Sabbatical leave policies a congregation may already have in place.
- Some congregations offer guidelines for Sabbatical Leave for Rostered Ministers. This time away is to be negotiated and planned in these congregations between the Councils and the Rostered Ministers.

## **HEALTH AND FAMILY LEAVE**

Rostered Ministers shall be provided with six work-weeks (additional time may be negotiated) of paid leave, per year, with full salary and benefits for any of the following reasons:

- For the birth of a child, and to care for the newborn child,
- For the adoption of a child, and to care for the newly adopted child,
- For the care of an immediate family member with a serious health condition, and
- For a personal serious health condition in which the Rostered Minister is unable to work,
- Bereavement Leave to grieve and heal from the loss of a family member.\*

\*Rostered Ministers self-care is important to maintaining personal and professional health, therefore, it is recommended that Rostered Ministers take one week to ten days, per incident.

## **CHURCHWIDE AND OTHER COMMITMENTS**

It is important to remember that Rostered Ministers are called by and to the whole church for service in both the church and in the world; this is the connectional nature of our church, serving

together.

- Rostered Ministers may be called to serve in ways that take them beyond the congregation.
- Examples may include church-related activities such as serving as a Bible study leader or chaplain at a church camp, or on a synodical or ELCA committee or task force.
- In any case, this “extended ministry” should be carefully and prayerfully considered with the congregation council so that these duties do not disrupt the care for the congregation.
- This time should be regarded as an extension of the congregation's ministry and should not be considered as vacation time.
- Additional responsibilities outside the congregation may include, National Guard/Reserve duty, or a teaching assignment at a college or seminary, are not seen as an extension of the congregational ministry, but a personal responsibility of the Rostered Minister.
- These responsibilities are often not negotiable in time and scope. The Rostered Minister and the ministry setting will need to address these in a case-by-case basis to ensure that leadership and Pastoral care coverage is available during these times.