



2023 COMPENSATION GUIDELINES

Ministers of Word and Sacrament (Pastors), with Housing Allowance

SUMMARY OF CHANGES FROM 2022

- Increased salaries by 4% (vs. Cost-of-Living increase of 7%)
- Added suggestion of an Internet Allowance
- Placed reorganized example tables in appendices

Cash Compensation / Defined Compensation			
Year	Total	Base (Salary & Housing Allowance)	SECA (Base x 7.65%)
0	\$63,787	\$59,254	\$4,533
1	\$64,558	\$59,970	\$4,588
2	\$65,330	\$60,687	\$4,643
3	\$66,101	\$61,404	\$4,697
4	\$66,873	\$62,121	\$4,752
5	\$67,644	\$62,837	\$4,807
6	\$68,415	\$63,554	\$4,862
7	\$69,187	\$64,270	\$4,917
8	\$69,959	\$64,987	\$4,972
9	\$70,729	\$65,703	\$5,026
10	\$71,501	\$66,420	\$5,081
11	\$72,273	\$67,137	\$5,136
12	\$73,044	\$67,853	\$5,191
13	\$73,815	\$68,569	\$5,246
14	\$74,587	\$69,286	\$5,300
15	\$75,358	\$70,003	\$5,355
16	\$76,131	\$70,721	\$5,410
17	\$76,901	\$71,436	\$5,465
18	\$77,672	\$72,153	\$5,520
19	\$78,445	\$72,871	\$5,575

Year	Total	Base (Salary & Housing Allowance)	SECA (Base x 7.65%)
20	\$79,062	\$73,443	\$5,618
21	\$79,679	\$74,016	\$5,662
22	\$80,295	\$74,589	\$5,706
23	\$80,913	\$75,163	\$5,750
24	\$81,531	\$75,737	\$5,794
25	\$82,148	\$76,310	\$5,838
26	\$82,610	\$76,740	\$5,871
27	\$83,073	\$77,170	\$5,903
28	\$83,537	\$77,601	\$5,936
29	\$83,999	\$78,029	\$5,969
30	\$84,462	\$78,459	\$6,002
31	\$84,925	\$78,890	\$6,035
32	\$85,389	\$79,321	\$6,068
33	\$85,851	\$79,750	\$6,101
34	\$86,313	\$80,179	\$6,134
35	\$86,778	\$80,611	\$6,167
36	\$87,239	\$81,040	\$6,200
37	\$87,701	\$81,469	\$6,232
38	\$88,165	\$81,900	\$6,265
39	\$88,628	\$82,330	\$6,298
40	\$89,092	\$82,760	\$6,331

Table 1 Shows the *Cash Salary/Defined Compensation* figures for Ministers of Word and Sacrament (Pastors) for whom the congregation does not provide a parsonage.

Part 1: Salary, Housing Allowance, and SECA

SALARY

Definitions:

- “Cash Compensation” is the amount of compensation actually paid to the pastor
 - Cash Compensation includes the SECA allowance
 - When no parsonage is offered, Cash Compensation will include a Housing Allowance to cover the pastor’s housing expenses.

- “Defined Compensation” is a technical term used by Portico (the ELCA benefits provider) to calculate the cost of the pastor’s pension and health care.
 - When no parsonage is offered, Cash Compensation and Defined Compensation are the same.
 - When a parsonage is part of the compensation package, Defined Compensation uses a formula to calculate the value of the parsonage for benefits.

HOUSING ALLOWANCE

United States tax law allows pastors to report part of their salary as Housing Allowance. The benefit to the pastor is that the housing allowance is not taxable for income tax purposes, however, any portion of the allowance not spent on housing purposes is considered taxable income and the pastor will be expected to pay income taxes on that amount. The pastor must pay self-employment Social Security taxes on the full amount of the housing allowance.

The amount of housing allowance is either a percentage of the cash compensation or a fixed amount of the cash compensation. Typically, the pastor requests that a certain percentage or amount of their salary be designated by the church council or congregation as housing. This designation must be made prior to the tax year in which the housing will be received, and the action must be recorded in the minutes of the meeting when the designation is approved.

Sample Council Resolution: *RESOLVED: That [Name of Church] designate [__% or \$ amount] of Pastor [Name of Word and Sacrament Minister]'s salary as Housing Allowance for calendar year _____ and that the treasurer be instructed to report that amount in Box 14 on any W-2 forwarded to the Internal Revenue Service.*

Pastors should seek advice from a tax professional to discover what can be included as housing expenses. Typically, it is the cost of the mortgage, utilities, insurance, taxes, furnishings, and repairs, but it is not necessarily limited to these.

The housing allowance exclusion is only available to a limited number of professions in specific situations. Congress chose to add clergy to that number. The benefit to the congregations is that salaries can be kept reasonable as tax benefits increase real income.

SELF-EMPLOYMENT COMPENSATION ALLOWANCE (SECA)

Pastors are considered as self-employed by the IRS and are, therefore, required to pay the full 15.3% tax for Social Security and Medicare. Congregations are asked to provide a minimum allowance that corresponds to the employer portion of social security taxes (7.65% of salary plus Housing Allowance for 2022). Congregations may further choose to provide for some or all of the remaining social security taxes (7.65% for 2022). The IRS considers any SECA as additional salary, and it should be reported as such by the congregation.

Part 2: Expenses

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 for the latest business mileage reimbursement rate.); or
3. Pay the pastor a monthly allowance, which is reported to the IRS as taxable income.

It is recommended that the congregation budget \$3,000–\$4000 per year as Automotive Expenses/Reimbursement, depending on local conditions.

PROFESSIONAL EXPENSES

Professional expenses include books, professional journals, magazines, vestments, and other costs that are necessary for the pastor to 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.

It is recommended that the congregation budget \$400 per year as professional expenses.

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.

CELL PHONE ALLOWANCE

It is common today that the pastor is reachable by cell phone and that, in fact, much of the phone communication between pastor and the congregation will take place via cell service. As a result, the congregation needs to compensate the pastor for the use of their cell phone plan. The congregation may negotiate with the pastor to either:

1. Provide the pastor with a cell phone for church business, or
2. Pay the cost of the pastor's adding an additional cell phone for church business, or
3. Reimburse the pastor for the use of their personal cell phone.

It is necessary that the congregation budget \$1200 per year — single line cost of cell service (\$100 per month) — as communication expenses.

SUGGESTED INTERNET ALLOWANCE¹

The Internet is an essential piece for carrying on the ministry of the church. At least a portion of the pastor's Internet costs should be covered by the congregation. It is suggested that the congregation reimburse the pastor monthly for an agreed upon amount.

It is necessary that the congregation budget basic internet expenses as described above or \$1080 per year.

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.² 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.

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.

Part 3: Benefits

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 pastor's family, **the congregation should budget for Portico's GOLD level coverage, regardless of which plan the pastor chooses.**

As pastors and their covered spouses age they will eventually enter Medicare. Before this

¹ The 2021 Synod Assembly approved the 2023 Compensation Guidelines pending a cost-of-living increase. Since no other changes are permitted, an Internet Allowance is simply suggested here.

² 1997 Churchwide Assembly minutes, p 171.

happens, the congregation is strongly urged to contact Portico Benefit Services and negotiate a plan for both pastor and family to be properly covered, including Medicare gap coverage.

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 Portico Benefit Services 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.

Part 4: Other Considerations

ADDITIONAL SALARY 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 salary. Such a congregation is urged prayerfully to do exactly that.

When a **vacancy** occurs in a staff ministry the remaining rostered ministers 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 ministers' 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 2020 the Bureau of Labor Statistics reported that the average weekly wage in the synod's territory ranged from \$607 at the low end to \$1,307 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, being 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

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 document³ for guidance in planning for this special time away for faith renewal.
- Personal Leave for Faith for the purpose of 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 is as a means for faith renewal and 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 workweeks (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,

³ <https://southernohiosynod.org/wp-content/uploads/2021/06/personal-leave-of-faith-approved-by-synod-council-2017.pdf>

- 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,
- For bereavement Leave to grieve and heal from the loss of a family member. Because self-care is essential for rostered ministers to maintain their personal and professional health, 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 (which 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.

Appendix A

Budgeting Overview

1	CASH COMPENSATION / Defined Compensation	
2	Salary & Housing Allowance	See Table 1
3	Merit Increase	Congregations determine
4	Local Cost of Living Increase	Congregations determine
5	Additional Negotiated Salary	Congregations determine
6	SECA	7.65% of all salary & housing allowance
7	Subtotal – Cash Compensation	
8		
9	BENEFITS	
10	Health & Pension	Determined by Portico based on Defined Compensation
11	Continuing Education	See recommendations above
12	Professional Expenses	
13	Cell Phone Expenses	
14	Internet Expenses	
15	Automobile Expenses	
16	Subtotal - Benefits	
17		
18	Total Compensation Package	

Appendix B

SIMPLE EXAMPLE

As an example, let us consider a congregation that is calculating the salary and cost of the ministry of a pastor who has been in ordained service for 12 years, and who has a spouse and child. Using the figures in Table 1., they would arrive at the following simple breakdown:

	Negotiated Compensation	Compensation Guideline
Cash Compensation		
Salary & Housing Allowance	67,853	
SECA	5,191	
Subtotal – Cash Compensation	73,044	73,044
Benefits		
Health & Pension	37,094	
Continuing Education	2,000	1,200
Professional Expenses	400	400
Cell Phone Expense	1,200	1,200
Internet Expense	1,080	1,080
Automobile Expense	3,000	3,000
Subtotal - Benefits	44,774	
Total Compensation	117,818	

TABLE 2: A SIMPLE SALARY STATEMENT for a Pastor (No Parsonage) with 12 years of service

Since the housing allowance is a portion of the cash salary that is negotiated between the pastor and the church council/congregation, that figure is not separated out in this example. The specific amount does not impact the congregation but makes a difference in the tax obligation of the pastor. However, the designation of the housing allowance must be made prior to the start of a new call and prior to the beginning of each new budget year. It must be a recorded motion in the meeting. This can easily be done at the adoption of the congregational budget.

In this example, a SECA of \$5,191 has also been designated. This congregation chose to budget \$2,000 to invest in its pastor's continuing education. They also chose to use the recommended amounts for professional expenses and cellphone usage, as well as for the automobile reimbursement.

The pastor has a family in this example, so the congregation has contacted Portico and has been quoted a cost of medical, pension, and survivor benefits of \$37,094. The total for the pastoral ministry budget in this congregation would then be: \$117,818.

Appendix C

DETAILED EXAMPLE

Though the simple example in Appendix B above is sufficient for understanding the total compensation of the pastor, further detail is needed for the **congregation's treasurer**. Below, the compensation 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.

Line	Item	Calculations	Negotiated Compensation	Guideline	Comment
	Preliminary Calculations				
1	Base Compensation		67,853	67,853	See Table 1, Year 12
2	<i>SAMPLE Housing Allowance</i>		15,000		<i>Negotiated allowance (a portion of line 1)</i>
3	Initial Base Salary		52,853		Subtract Lines 2 from Line 1
	Negotiated Base Cash Salary Calculations				
4	Initial Base Salary	52,853	52,853		Copied from Line 3
5	Merit Increase	0	0		
6	Local Cost of Living Adj	0	0		
7	Additional Negotiated Salary	0	0		
8	Negotiated Base Salary	52,853	52,853		Sum: Lines 4 to 7
	Final Salary Calculations				
9	Negotiated Base Salary	52,853			Copied from Line 8
10	<i>SAMPLE Housing Allowance</i>		15,000		<i>Copied from Line 2</i>
11	Salary plus Housing Allowance		67,853		Sum: Lines 9 + 10 or copied Line 1
12	SECA	5,191	5,191		If Line 8 = Line 3, then use Table 1, Year 12 SECA (in this case). Otherwise, multiply Line 11 by 7.65%

(continued)

Line	Item	Calculations	Negotiated Compensation	Guideline	Comment
13	Cash Compensation (= Annual Cash Salary)		73,044		Sum: Lines 11 + 12
14	Defined Compensation (for Portico)		73,044		Sum: Lines 11 + 12
15	Compensation from Table 1		73,044	73,044	
16	IRS Taxable Compensation	58,044			Sum: Lines 9 + 12
	Benefits				
17	Health & Pension	37,094			Recommended: Portico Gold, 10% Retirement, using Line 15
18	Continuing Education	2,000		1,200	An additional \$800 provided
19	Professional Expenses	400		400	
20	Cell Phone Expense	1,200		1,200	
21	Internet Expense	1,080		1,080	
22	Automobile Reimbursed	3,000		3,000	
23	Total Benefits		44,774		
24	Total Compensation		117,818		Sum: Lines 13 + 23

TABLE 3: DETAILED SAMPLE CALCULATION for a Pastor (No Parsonage) with 12 years of service.

Notes:

SECA is based on Negotiated Base Salary (line 9) + Housing Allowance (Line 10)

Taxable Compensation: Negotiated Base Salary (Line 9) + SECA (Line 12) + any lump sum allowances for automotive or profession expenses

Defined Compensation (Portico uses this figure to calculate Health and Retirement benefits):
Negotiated Base Salary (Line 9) + Housing Allowance (Line 10) + SECA (Line 12)