

~ 2017 COMPENSATION GUIDELINES ~

ORDAINED MINISTERS,

Parsonage provided

Year	2015 Base + 500/yr thru 19 400/yr 20 - 25 300/yr after 25	Housing Allowance @ 30% of Base	SECA @ 7.65% of Base + Housing	Defined Comp	Cash Comp	Housing Equity 3% Def Comp
0	40,147	12,044	3,993	56,184	44,140	1,686
1	40,647	12,194	4,042	56,883	44,689	1,707
2	41,147	12,344	4,092	57,583	45,239	1,727
3	41,647	12,494	4,142	58,283	45,789	1,748
4	42,147	12,644	4,192	58,983	46,339	1,769
5	42,647	12,794	4,241	59,682	46,888	1,790
6	43,147	12,944	4,291	60,382	47,438	1,811
7	43,647	13,094	4,341	61,082	47,988	1,832
8	44,147	13,244	4,390	61,782	48,537	1,853
9	44,647	13,394	4,440	62,481	49,087	1,874
10	45,147	13,544	4,490	63,181	49,637	1,895
11	45,647	13,694	4,540	63,881	50,187	1,916
12	46,147	13,844	4,589	64,580	50,736	1,937
13	46,647	13,994	4,639	65,280	51,286	1,958
14	47,147	14,144	4,689	65,980	51,836	1,979
15	47,647	14,294	4,738	66,680	52,385	2,000
16	48,147	14,444	4,788	67,379	52,935	2,021
17	48,647	14,594	4,838	68,079	53,485	2,042
18	49,147	14,744	4,888	68,779	54,035	2,063
19	49,647	14,894	4,937	69,478	54,584	2,084
20	50,047	15,014	4,977	70,038	55,024	2,101
21	50,447	15,134	5,017	70,598	55,464	2,118
22	50,847	15,254	5,057	71,158	55,904	2,135
23	51,247	15,374	5,097	71,718	56,344	2,152
24	51,647	15,494	5,136	72,277	56,783	2,168
25	52,047	15,614	5,176	72,837	57,223	2,185
26	52,347	15,704	5,206	73,257	57,553	2,198
27	52,647	15,794	5,236	73,677	57,883	2,210
28	52,947	15,884	5,266	74,097	58,213	2,223
29	53,247	15,974	5,295	74,517	58,542	2,235
30	53,547	16,064	5,325	74,936	58,872	2,248
31	53,847	16,154	5,355	75,356	59,202	2,261
32	54,147	16,244	5,385	75,776	59,532	2,273
33	54,447	16,334	5,415	76,196	59,862	2,286
34	54,747	16,424	5,445	76,616	60,192	2,298
35	55,047	16,514	5,474	77,036	60,521	2,311
36	55,347	16,604	5,504	77,455	60,851	2,324
37	55,647	16,694	5,534	77,875	61,181	2,336
38	55,947	16,784	5,564	78,295	61,511	2,349
39	56,247	16,874	5,594	78,715	61,841	2,361

40	56,547	16,964	5,624	79,135	62,171	2,374
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A. SALARY Table 1 Shows the *Salary* figures for ordained ministers.

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 2015) 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 2015). 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 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 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 \$750.00 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 pastor's family, **the congregation should budget for Portico's GOLD level 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 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.

SUMMARY

A congregation is calculating the salary and cost of the pastor's ministry who is a 12 year veteran. Using the figures in Table 1., they would arrive with the following.

Table 2: A simple Salary statement:

	Negotiated Comp	Guideline
Salary & Housing		
Salary	46,147	
FICA Reimb (SECA)	4,589	
Total	50,736	50,736
Utilities Allowance		
Furnishings Allowance		
Total Cash Compensation	50,736	
Benefits		
Housing Equity	1,937	1,937
Health & Pension	29,577	
Continuing Ed	750	750
Professional Exp	1,600	1,600
Automobile Exp	3,000	3,000
Total	36,864	
Total Compensation	87,600	

In this example, a SECA of \$4,589 has been designated and the amount actually paid to the pastor is \$50,736, as seen in Table 1.

The congregation will add \$1,919 to a savings account as Equity Allowance. The congregation budgeted \$750 for its pastor to participate in continuing education. They did chose 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 \$29,577. The total for the pastoral ministry budget line in this congregation would then be: \$87,600.

DETAILED CALCULATIONS

Though the above example is sufficient for understanding the salary of the pastor further detail is needed for the congregation's treasurer. Here 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.

Ln	Item	Negotiated Comp	Guideline	Comment
1	Salary			
2	Guideline Base	46,147		
3	Merit Increase			
4	Local Cost of Living Adj			
5	Additional Negotiated Salary			
6	Total Salary	46,147		Sum of Lines 2 to 5
7	Housing			
8	Housing Allow	13,844		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	13,844		Sum of Lines 8 to 11
13	Salary plus Housing Allowance	59,991		Line 6 + Line 12
14	FICAREimb (SECA)	4,589		Recommended: 7.65% of Line 13
15	Cash Compensation	50,736	50,242	Line 6 + Line 14
16	Defined Compensation	64,580	63,951	Line 13 + Line 14
17	IRS Taxable Compensation	50,736		Line 6 + Line 14
18				
19	Benefits			
20	Health & Pension	29,577		Recommended: Portico Gold 10% Retirement using Line 16
21	Housing Equity Allowance	1,937	1,919	If Tax Deferred
22	Continuing Education	750	750	
23	Professional Exp	1,600	1,600	
24	Automobile Exp	3,000	3,000	
25	Total Benefits	36,864		
	Total Compensation	87,600		Line 10 + Line 19

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.

Staff ministries require further consideration by the congregation. Invariable 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 2013 the Bureau of Labor Statistics reported that the average weekly wage in the synod’s territory ranged from \$560 at the low end to \$1,200 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.