

~ COMPENSATION ~ ORDAINED MINISTERS, No Parsonage provided

A. BASE SALARY

Table 1 Shows the *Base Salary* figures for ordained ministers.

Year	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
0	40,424	12,127	4,020	56,571	56,571
1	40,924	12,277	4,070	57,271	57,271
2	41,424	12,427	4,120	57,971	57,971
3	41,924	12,577	4,169	58,671	58,671
4	42,424	12,727	4,219	59,370	59,370
5	42,924	12,877	4,269	60,070	60,070
6	43,424	13,027	4,319	60,770	60,770
7	43,924	13,177	4,368	61,469	61,469
8	44,424	13,327	4,418	62,169	62,169
9	44,924	13,477	4,468	62,869	62,869
10	45,424	13,627	4,517	63,569	63,569
11	45,924	13,777	4,567	64,268	64,268
12	46,424	13,927	4,617	64,968	64,968
13	46,924	14,077	4,667	65,668	65,668
14	47,424	14,227	4,716	66,368	66,368
15	47,924	14,377	4,766	67,067	67,067
16	48,424	14,527	4,816	67,767	67,767
17	48,924	14,677	4,865	68,467	68,467
18	49,424	14,827	4,915	69,166	69,166
19	49,924	14,977	4,965	69,866	69,866
20	50,324	15,097	5,005	70,426	70,426
21	50,724	15,217	5,045	70,986	70,986
22	51,124	15,337	5,084	71,545	71,545
23	51,524	15,457	5,124	72,105	72,105
24	51,924	15,577	5,164	72,665	72,665
25	52,324	15,697	5,204	73,225	73,225
26	52,624	15,787	5,233	73,645	73,645
27	52,924	15,877	5,263	74,064	74,064
28	53,224	15,967	5,293	74,484	74,484
29	53,524	16,057	5,323	74,904	74,904
30	53,824	16,147	5,353	75,324	75,324
31	54,124	16,237	5,383	75,744	75,744
32	54,424	16,327	5,412	76,164	76,164
33	54,724	16,417	5,442	76,584	76,584
34	55,024	16,507	5,472	77,003	77,003
35	55,324	16,597	5,502	77,423	77,423
36	55,624	16,687	5,532	77,843	77,843
37	55,924	16,777	5,562	78,263	78,263
38	56,224	16,867	5,591	78,683	78,683
39	56,524	16,957	5,621	79,103	79,103
40	56,824	17,047	5,651	79,522	79,522

Notes about this table. The column labeled “Cash compensation” is what the pastor will actually be paid. 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, however when no parsonage is offered Defined and Cash Salary are the same. These figures can be broken down further as Table 1 shows.

HOUSING ALLOWANCE

United States tax law allows the congregation to designate a part of the pastor’s salary as housing allowance. The benefit to the pastor is that the housing allowance is not taxable for income tax purposes.

SELF EMPLOYMENT COMPENSATION ALLOWANCE (SECA)

Congregation should provide a minimum allowance that corresponds to the employer portion of social security taxes (7.65% of salary plus housing allowance for 2017) 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 2017). 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 pastors 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 acquired by visiting the Board of Pensions website 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 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:

	Negotiated Comp	Cash Comp Guideline
Salary & Housing		
Salary	46,424	
Housing Allow	13,927	
FICA Reimb (SECA)	4,617	
Total	64,968	64,968
Benefits		
Health & Pension	30,470	
Continuing Education	750	750
Professional Exp	1,600	1,600
Automobile Exp	3,000	3,000
Total	35,820	
Total Compensation	100,788	

In this example, the congregation has chosen to designate \$13,927 as a housing allowance. This designation has to be made by a meeting of council or congregation that sets this amount by a recorded motion in the meeting. This can easily be done at adoption of Congregational Budget. Here, a SECA of \$4,617 has also been designated.

This congregation chose to budget \$750 for its pastor to participate in continuing education. They also chose to use the recommended amounts for professional expenses and cellphone usage, as well as for the 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: \$100,788.

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.

Table 3

Ln	Item	Negotiated Comp	Guideline	Comment
1	Salary			
2	Guideline Base	46,424		
3	Merit Increase			
4	Local Cost of Living Adj			
5	Additional Negotiated Salary			
6	Total Salary	46,424		Sum of Lines 2 to 5
7	Housing			
8	Housing Allow	13,927		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	13,927		Sum of Lines 8 to 11
13	Salary plus Housing Allowance	60,351		Line 6 + Line 12
14	FICAREimb (SECA)	4,617		Recommended: 7.65% of Line 13
15	Cash Compensation	51,041	50,242	Line 6 + Line 14
16	Defined Compensation	64,968	63,951	Line 13+ Line 14
17	IRS Taxable Compensation	51,041		Line 6 + Line 14
18				
19	Benefits			
20	Health & Pension	30,470		Recommended: Portico Gold 10% Retirement using Line 16
21	Housing Equity Allowance	1,949	1,949	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	37,769		
	Total Compensation	88,810		Line 10 + Line 19

Note, please, that SECA is calculated based on total salary in Line 8 and includes the portion of the pastors Cash Compensation that has been declared a Housing Allowance. Also note that Taxable Compensation does include the SECA allowance but excludes the Housing Allowance. However, when determining the Health and Retirement contributions to Portico, Total Defined Compensation, Salary plus Housing Plus SECA is used.

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 2016 the Bureau of Labor Statistics reported that the average weekly wage in the synod’s territory ranged from \$540 at the low end to \$1,100 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.