

# ~ COMPENSATION ~ ORDAINED MINISTERS, No Parsonage provided

## A. BASE SALARY

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

Year	Base	Housing Allowance	SECA	Defined Comp	Cash Comp
0	41,342	12,403	4,111	57,856	57,856
1	41,842	12,553	4,161	58,556	58,556
2	42,342	12,703	4,211	59,256	59,256
3	42,842	12,853	4,261	59,955	59,955
4	43,342	13,003	4,310	60,655	60,655
5	43,842	13,153	4,360	61,355	61,355
6	44,342	13,303	4,410	62,054	62,054
7	44,842	13,453	4,460	62,754	62,754
8	45,342	13,603	4,509	63,454	63,454
9	45,842	13,753	4,559	64,154	64,154
10	46,342	13,903	4,609	64,853	64,853
11	46,842	14,053	4,658	65,553	65,553
12	47,342	14,203	4,708	66,253	66,253
13	47,842	14,353	4,758	66,952	66,952
14	48,342	14,503	4,808	67,652	67,652
15	48,842	14,653	4,857	68,352	68,352
16	49,342	14,803	4,907	69,052	69,052
17	49,842	14,953	4,957	69,751	69,751
18	50,342	15,103	5,007	70,451	70,451
19	50,842	15,253	5,056	71,151	71,151
20	51,242	15,373	5,096	71,711	71,711
21	51,642	15,493	5,136	72,270	72,270
22	52,042	15,613	5,176	72,830	72,830
23	52,442	15,733	5,215	73,390	73,390
24	52,842	15,853	5,255	73,950	73,950
25	53,242	15,973	5,295	74,510	74,510
26	53,542	16,063	5,325	74,929	74,929
27	53,842	16,153	5,355	75,349	75,349
28	54,142	16,243	5,384	75,769	75,769
29	54,442	16,333	5,414	76,189	76,189
30	54,742	16,423	5,444	76,609	76,609
31	55,042	16,513	5,474	77,029	77,029
32	55,342	16,603	5,504	77,448	77,448
33	55,642	16,693	5,534	77,868	77,868
34	55,942	16,783	5,563	78,288	78,288
35	56,242	16,873	5,593	78,708	78,708
36	56,542	16,963	5,623	79,128	79,128
37	56,842	17,053	5,653	79,548	79,548
38	57,142	17,143	5,683	79,967	79,967
39	57,442	17,233	5,713	80,387	80,387
40	57,742	17,323	5,742	80,807	80,807

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](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 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 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 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	47,342	
Housing Allow	14,203	
FICA Reimb (SECA)	4,708	
Total	66,253	66,253
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	102,073	

In this example, the congregation has chosen to designate \$14,203 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 \$4,708 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: \$102,73.

## 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: Detailed Sample Calculations**

Ln	Item	Negotiated Comp	Guideline	Comment
1	Salary			
2	Guideline Base	47,342	47,342	
3	Merit Increase			
4	Local Cost of Living Adj			
5	Additional Negotiated Salary			
6	Total Salary	47,342		Sum of Lines 2 to 5
7	Housing Allow	14,203		
8	Salary plus Housing Allowance	61,545		
9	FICAREimb (SECA)	4,708		Recommended:7.65% of Line 8
10	<b>Cash Compensation</b>	<b>66,253</b>	63,951	Line8 + Line 9
11	<b>Defined Compensation</b>	<b>66,253</b>	63,951	Line8 + Line 9
12	<b>IRS Taxable Compensation</b>	<b>52,050</b>		Line 6 + Line 9
13				
14	Benefits			
15	Health & Pension	30,470		Recommended:Portico Gold, 10% Retirement using Line 11
16	Continuing Education	750	750	
17	Professional Exp	1,600	1,600	
18	Automobile Exp	3,000	3,000	
19	Total Benefits	35,820		
20	Total Compensation	102,073		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.