

**NORTHEASTERN OHIO SYNOD 2017 COMPENSATION
GUIDELINES AND WORKSHEET
CLERGY**

INTRODUCTION:

A pastor assumes many responsibilities. We expect our pastors to be preachers, evangelists, administrators, teachers, counselors and leaders. We require eight years of study (including a bachelor's and master of divinity degrees) as a part of preparation for ordained ministry. Compensation for pastors should be comparable to professional positions of equal responsibility, education, and time commitment.

Adequate compensation enables a pastor to fulfill responsibilities and obligations, encourages vocational satisfaction, and encourages a pastor's best efforts and gifts. Congregations and our synod have an obligation to review compensation plans annually. We also expect pastors to take initiatives in seeking annual reviews of compensation.

Inadequate compensation may result in discouragement and dissatisfaction. This sometimes occurs as a pastor's family cannot maintain financial stability, as negative attitudes toward the congregation and church begin, as an inability to participate in continuing education programs, or as "moonlighting" becomes a necessity. Inadequate compensation means low contributions to retirement plans, which leads to inadequate retirement income. All of these realities increase the occurrence of resignations from ordained ministry, make it more challenging to recruit able candidates for ordained ministry, and create a poor image of the church in the community.

Our synod recognizes there are pastors and congregations who, for a variety of reasons, choose to be content with salaries that are below the synod minimum. We caution these pastors and congregations, however, that they may be doing disservice to the congregation, other pastors, and pastoral successors by allowing the compensation package to remain below recommended guidelines. In such situations, the congregation, pastor, and bishop's office should work together to implement other support strategies.

Congregations should develop procedures whereby they review their pastor's salary and discuss their pastor's personal financial concerns. This may be best accomplished by a small and understanding committee of three to six individuals appointed by the congregation council. The committee should bring to the council or appropriate committee its recommendations for annual compensation adjustments. The ELCA has published a guide to use in organizing a mutual Ministry/Staff Support Committee and for compensation planning: *Pastor and People: Making Mutual Ministry Work (ISBN 0-8066-4651-9)* which is available from Augsburg Fortress (1-800-328-4648).

It should be noted that these are suggested base salaries. The total compensation package should also reflect any special concerns of the pastor and his/her family, and other factors as discussed in this document.

I. SALARY

A. BASE CASH SALARY

1. The minimum base salary recommendation for 2017 is \$37,590. This represents a 0% living adjustment to the 2016 minimum base cash salary recommendation, which was in turn based on the 2016 Social Security Administration cost-of-living adjustment. It is still strongly recommended that \$310 for each year of ordained service be added to this minimum base; or,
2. A congregation with experienced clergy may use a 0% cost of living adjustment to the current base salary plus a \$310 increase for the additional year of experience in ordained ministry.

B. ADJUSTMENTS

Adjustments to the base cash salary may consist of, but are not limited to:

1. Merit
2. Local COLA (to reflect significant differences in local cost of living)
3. Responsibilities
4. Education (either advanced or specialized)
5. Other concerns identified by the congregation/pastor.

II. HOUSING

A. WITHOUT PARSONAGE

1. This is for pastors who own their own house. A fair approach to determining the housing and utilities allowance is:
 - a. One percent per month of the reasonable market value of a house within the general community in which the congregation resides, plus
 - b. The cost of utilities for such a home, plus
 - c. The difference in cost for the rental value of such a home furnished as compared to rental value of such a home unfurnished.

A realtor can help determine this figure. This allowance is to cover the mortgage payments, taxes, insurance, utilities, furnishings, and maintenance of the house.
2. *Housing allowance must be officially designated in advance by the congregation. This can be done by a separate line in the budget or by official action of the congregation council.*
3. A pastor may elect to use this allowance to rent a home, in which case the allowance should cover rent, utilities, furnishings, and insurance.
4. The congregation council may also consider the establishment of a loan policy to assist the pastor in the down payment on a home if a parsonage is not provided.

B. WITH PARSONAGE

1. HOUSEHOLD FURNISHINGS/UTILITIES ALLOWANCE

If a parsonage is provided, it should be comparable to at least the average home in the congregation or community. For pastors who are in parsonages, it is appropriate for the congregation to provide a household furnishings/utilities allowance. This allowance will cover the expenses of the parsonage: utilities, maintenance, and furnishings needed to keep up the parsonage. This may be done in several ways:

- a. The congregation may provide a fixed monthly parsonage allowance, based on the needs of the pastor and parsonage. This amount needs to be designated by the congregation council at its first meeting each year, or separately stated in the budget.
- b. The congregation may choose to pay the utilities (gas, electric, sewage, water, trash collection, telephone (except personal long-distance) directly.
- c. The congregation should generally pay for the costs of maintaining the parsonage. If not, an allowance would be provided to cover expenses to maintain the parsonage.

2. HOUSING EQUITY ALLOWANCE

An equity allowance should be provided if the pastor lives in a congregation-owned home. The equity allowance provides the financial resources for a pastor to provide housing upon retirement, or to provide a down payment for the purchase of a house during active ministry. It is suggested that the equity allowance be:

- a. An amount equal to 3% of the annual pension defined compensation.
- b. The congregation pays the total amount in monthly installments to a depository agreed to by the church and the pastor.
- c. Each congregation would stipulate at the beginning of each pastor's ministry (or when the plan begins) that the funds become available to the pastor only:
 1. at the pastor's retirement, or

2. at the time the pastor is granted a housing allowance and purchases a home, or
3. at the time of total and presumably permanent disability, or
4. at the time the pastor leaves the clergy roster of the ELCA, or
5. at the time of death, at which time the funds would be disbursed as stipulated by the agreement.

Our synod recommends that congregations and pastors consult with *Portico Benefits Services* (the ELCA Benefit Provider) and the IRS regulations and examine the pastor's individual financial situation prior to implementation of this program.

3. It is important that parsonages be sufficiently maintained. An annual walk-through of the parsonage by the council is advised. The purpose of the walk-through is to note the general condition of the home and plan regular maintenance.

III. BENEFITS

A. PENSION/HEALTH CARE

1. The congregation shall provide full pension, health, and death benefits for the pastor and family in accordance with *Portico* provisions. The "Gold+ level of health benefits has been recommended by the ELCA Church Council and the NEO Synod Council.
2. A "Medical Expense Reimbursement Plan", established in accordance with specific IRS requirements, could provide tax advantages for the pastor by reimbursing deductibles, co-payments, and other medical expenses not covered by insurance. For more information, please contact the synod accountant (jhacker@neos-elca.org)
3. The pastor may elect to waive the health care benefit under the coordination of the benefits clause in the *Portico* Handbook. The congregation should consult with *Portico* (612-333-7651 or 800-352-2876) or the synod office for assistance in determining the effects of these guidelines.

B. FICA ALLOWANCE (SOCIAL SECURITY)

1. A congregation cannot pay the social security tax for a pastor. By law, the pastor must personally pay both the employer and the employee portions of social security taxes. However, a congregation can pay a pastor a special allowance which the pastor may then use to put toward whatever self-employment social security tax he or she owes. This allowance is taxable when computing income tax and social security taxes, and must also be considered income in computing pension plan contributions.
2. The congregation should provide a minimum allowance that corresponds to the employer portion of social security taxes (currently 7.65%). In order to assist the pastor, the congregation may further choose to provide for some or all of the remaining social security taxes (currently 7.65%). Whatever is provided, the pastor reports it as salary.
3. The allowance can be calculated as follows:
 - a. Minimum social security allowance for pastor receiving a housing allowance (non-parsonage):

Salary	
+ <u>Housing Allowance</u>	
= Social Security Base	
<u>x 7.65 % (employer rate)</u>	
= Social Security Allowance	

- b. Minimum social security allowance for pastor living in parsonage:

$$\begin{array}{r} \text{Salary} \\ \times \text{ 1.3 (housing equivalency factor)} \\ = \text{ Subtotal} \\ + \text{ Furnishings/Utilities Allowance} \\ = \text{ Social Security Base} \\ \times \text{ 7.65\% (employer rate)} \\ = \text{ Social Security Allowance} \end{array}$$

4. The synod recommends the pastor periodically check records to be certain accounts have been properly credited. A pastor may do this by obtaining Form SSA 7050 from the Social Security Administration office or online at www.ssa.gov from the local Social Security Administration office or post office. It is important that pastors do this periodically because one can only go back 39 ½ months to correct errors. This is critical in assuring the receipt of the maximum benefits available.

IV. PART-TIME CALLS

Compensation for part-time calls should be made in consultation with the synod staff.

V. PROFESSIONAL EXPENSES

These items are considered congregational administrative expenses and are not items to be considered as compensation.

- A. AUTOMOBILE EXPENSES: Congregations should adequately provide for the pastor's business mileage expenses in one of the following ways. In determining the method, usage should be considered including factors such as geographical limits of the congregation, distance to commonly used hospitals, etc.

1. Use an accountable reimbursement plan to reimburse the pastor for miles driven in service of the congregation. Such reimbursement must be based on documentation as required by the IRS, should be reimbursed at the maximum IRS rate for use of a personal car for business purposes (54 cents per mile in 2016) and is not taxable to the pastor; or
2. Provide the pastor with a fixed automobile allowance of at least \$4,000 per year in addition to salary. This allowance must be included as taxable income on the pastor's Form W-2. The pastor is accountable to the IRS for use of this allowance and may be eligible to deduct a portion of the expenses based on accurate records of church mileage. Contact your accountant or the synod office for further guidance; or
3. A congregation may, in accordance with IRS guidelines, buy or lease a car and assume the total cost of operating the vehicle.

B. OTHER PROFESSIONAL EXPENSES

Other ministry related expenses incurred by the pastor should be paid by the congregation in one of the following ways:

1. Paying these amounts directly as they occur; or
2. Setting up a line item in the budget for reimbursement of these expenses, preferably combined with the automobile reimbursement into a single line item; or
3. Paying a monthly professional expense allowance to the pastor.

Note: Congregations are strongly encouraged to set up an "Accountable Professional Expense Reimbursement" for all rostered leaders in the congregation. Reimbursable professional expenses include, but are not limited to: automobile (mileage, parking tolls), overnight travel (including lodging and meals), professional and liability insurance, vestments and vestment cleaning, long distance business phone calls, books, magazines/journals, professional dues, continuing education, media resources, supplies, meals associated with official meetings and appointments,

business gifts (maximum of \$25.00 per person per year), and equipment purchases. Such professional expenses, when reimbursed by the congregation with adequate accounting as specified in the Internal Revenue Code, are not taxable for either income tax or social security/self-employment tax and are excluded from Form W-2. When the congregation provides an expense allowance without accountable reimbursement, the allowance is taxable income included in Form W-2. Professional expenses not reimbursed under an accountable plan, including expenses in excess of the budget for reimbursement, are deductible for self-employment tax, but only a portion of the expenses is deductible for federal income tax (and only if the rostered leader is eligible to itemize deductions), and none are deductible for state, city or school district income tax. For more information, please contact the synod accountant.

C. COMPUTERS AND CELL PHONES

It is recommended that the congregation provide the pastor with a computer and cell phone to facilitate ministry. Note the following in this regard:

1. Computer
 - a. A computer owned by the church and provided for the pastor's use is a business expense that is not taxable to the pastor.
 - b. A computer purchased by the pastor is NOT a deductible business expense, even when used for business purposes.
2. Cell Phone
 - a. A cell phone provided to the pastor is a nontaxable business expense if the council minutes state it is primarily provided for noncompensatory business reasons (such as the need to be accessible at all time for work-related emergencies).
 - b. The pastor may be provided with a nontaxable cell phone reimbursement if council minutes state that the pastor is required to maintain a personal cell phone for noncompensatory business reasons and the reimbursement amount does not exceed reasonable business needs (i.e. reimburse the basic monthly plan, not family plan for extra minutes).

VI. OTHER PROVISIONS

A. VACATION

The minimum vacation should be four weeks (including four Sundays). Attendance at official functions is not to be construed as vacation time.

Note: If financial constraints of a congregation make difficult monetary raises for clergy, a congregation might consider providing an extra week of vacation (including Sunday) as compensation.

B. SICK LEAVE

Sick leave should be provided for up to eight weeks per year (including Sundays) with full salary, housing, and benefits. An agreement may be made for partial disability beyond that time in coordination with *Portico*.

C. MATERNITY LEAVE

Maternity leave should be provided for up to six weeks (including Sundays) with full salary, housing, and benefits. Because of special concerns or needs, actual time may be negotiated between the pastor and congregation.

D. PATERNITY LEAVE/ADOPTIVE PARENTAL LEAVE

Paternity leave and adoptive parental leave may be negotiated between the pastor and congregation. It is recommended that up to six consecutive weeks (including Sundays) with full salary, housing, and benefits be provided. Because of special concerns or needs actual time may be more or less than six weeks.

E. CONTINUING EDUCATION

The ELCA expects of its ordained clergy a minimum of 50 contact hours annually in organized continuing education.

1. Congregations are encouraged to make available to their pastors at least two weeks (including Sundays) per year for continuing education.
2. The scheduling of continuing education should be determined by the pastor in consultation with the council.
3. \$1,000 is recommended; a minimum of \$700 per year should be provided for this education.
4. A pastor should have the privilege of accumulating educational leave and funds over a two-year period.

F. SABBATICAL LEAVE

Sabbatical leave offer an extended block of time for study, personal growth, and reflection apart from usual congregational responsibilities.

1. Normally, an extended study and renewal period of one to three months after five years in the current call should be provided with full salary, housing, and benefits.
2. The leave plan is to be developed in cooperation with the council. The parties shall seek the counsel of the bishop before finalizing an agreement.
3. The congregation shall be responsible for arranging for pastoral coverage, including pulpit supply, during the leave.
4. Within six weeks of the completion of the sabbatical leave the pastor shall present the congregation a written reflection on the experience and the implications for the ministry of the congregation and ministry in the parish. This written reflection shall be added to the pastor's file in the bishop's office.

G. WORK WEEK

Because of the nature of ministry, it is recognized that pastors are expected to fulfill many evening and weekend responsibilities in addition to Sunday morning worship. Therefore, adequate time off (one day per week minimum) should be granted that would be free from ministry-related responsibilities.

H. SPECIAL CONCERNS

Where there are special needs within a pastor's family, these should be considered separately.

VII. ASSOCIATE/ASSISTANT/SPOUSE TEAM COMPENSATION

- A. The synod recommends that the above guidelines be applied to associate/assistant pastors taking into consideration their relationship with the senior pastor, e.g., duties, responsibilities, etc.
- B. For clergy spouse teams the synod staff should be consulted.

VIII. INTERIM / TEMPORARY / SUPPLY MINISTRIES

A. INTERIM

At the time of a pastoral vacancy in a congregation, the bishop, working with the congregation council, recommends an interim pastor to provide basic leadership and pastoral care until another pastor is secured and, if needed, to address any special concerns of the congregation. No pastor is to be considered as a candidate for call to a congregation while serving it as an interim.

Depending on congregational need and pastoral availability, an interim pastor may serve on a part-time or full-time basis during a pastoral vacancy. An active pastor serving in an interim ministry, whether full or part-time, should be compensated according to the current guidelines based on the time negotiated with the church council. For example, if the pastor is serving half-time (50%), compensation should be 50% of a regular compensation package. A retired pastor who serves as an interim minister shall negotiate with a church council in consultation with the synod staff.

B. TEMPORARY PASTORAL SUPPORT

Temporary pastoral support will be compensated at \$200 per month for a congregation council meeting and emergency pastoral care. Mileage will be paid at the current IRS mileage reimbursement rate (see V.A. above). Compensation beyond this is to be determined in negotiations between the congregation council and the temporary pastor with guidance provided by the synod staff.

C. SUPPLY PASTOR

During a pastoral absence, it may be necessary for a congregation to secure a supply pastor. A current list of clergy available for that purpose may be obtained from the synod office. Those asked to serve as pulpit supply should be contacted well in advance of the date needed and, upon acceptance, be provided with a copy of the worship bulletin and pertinent information about the service. A member familiar with congregational worship practices should be on hand to welcome the pastor prior to the service. The recommended honorarium for one worship service is \$150 plus mileage at the current IRS mileage reimbursement rate (see V.A. above). For additional services, scheduled within three hours of the conclusion of the initial worship service, whether at the same congregation or at another, as in two-point parishes, an additional \$50 per service should be paid plus any additional mileage. If additional services are scheduled during the week that are similar in nature e.g., Sunday evening, Wednesday, Saturday, etc., an additional honorarium of \$85 for each additional service plus mileage at the current IRS mileage reimbursement rate (see V.A. above) should be paid. For additional responsibilities, appropriate compensation should be provided. Expenses for lodging and meals, if necessary, are to be paid by the congregation.

**COMPENSATION WORKSHEET
CLERGY**

A. COMPENSATION

- 1. Cash Salary
 - a. Annual base salary (before salary-reduction contributions) (I.A.,B.)* \$ _____
 - b. Clergy Social Security tax allowance (if paid directly to pastor) (III.B.) \$ _____

- 2. Total of (1a.) plus (1b.) \$ _____

- 3. Housing (only one housing option may be included) \$ _____
 - a. Cash housing allowance without parsonage (including any household furnishings and utility allowances) (II.A.)
 - or
 - b. 30 percent of line 2 (if parsonage or other housing is provided)

- 4. Pastor's household furnishings and utilities allowances (only if parsonage is provided and the allowance is paid directly to the pastor) (II.B.1.) \$ _____

- 5. TOTAL ANNUAL DEFINED COMPENSATION (Add lines 2, 3, 4).** \$ _____

B. PENSION AND OTHER BENEFITS

- 1. ELCA pension and benefits (*Portico*) (III.A.1.) \$ _____
- 2. Medical reimbursement (III.A.2.) \$ _____
- 3. Housing equity allowance (II.B.2.) \$ _____
- TOTAL PENSION AND BENEFITS** \$ _____

C. PROFESSIONAL EXPENSES

- 1. Automobile reimbursement or allowance (V.A.) \$ _____
- 2. Other professional expenses (V.B.) \$ _____
- 3. Cell Phone (V.C.) \$ _____
- 4. Continuing Education (VI.E.) \$ _____

D. SPECIAL CONCERNS (VI.H.)

- 1. _____
- 2. _____

*Roman numerals, letters and numbers refer to sections within the guidelines.

Helpful calculators for defined compensation and ELCA benefits contributions are located on the Portico website at www.porticobenefits.org. Please note, however, that you should insert your own calculations for the social security allowance with guidelines III.B. For more information, a workbook entitled, "Nuts and Bolts of Clergy Tax" is available from the synod accountant