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The Mbulu Diocese, Evangelical Lutheran Church in Tanzania
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The Southeastern Pennsylvania Synod, Evangelical Lutheran Church in America

Compensation Guidelines

The 2010 Compensation Guidelines will be posted on the synod's website which is www.metrodetroitelca.org. Distribute these guidelines to your Congregation Council, Finance Team and Mutual Ministry Committee. If you need electronic copies of the guidelines, contact Marie Cook at the Synod House or via e-mail at mariefcook@sbcglobal.net.

The 2009 guidelines reflected compensation increases of 1% at the lower end of the scale and ½% at the higher end of the scale. The 2010 guidelines recommend 1% increases on the lower end of the scale but no increases on the higher end of the scale. The increases seek to support those who are now paying costs for education. While increases are not recommended at the higher end of the scale, merit increases are encouraged.

The following people are on the compensation task force and worked at developing these guidelines.

Pastor Nik Schillack (pastor@christthekinglapeer.org)	Christ the King, Lapeer
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Pr. Robert Walters (revbobwalt@aol.com)	Calvary, Clarkston

These leaders have an understanding of compensation issues as well as congregational finances. They can be available to work particularly with congregations that are below guidelines. Please feel free to contact members of the synod staff for help as well.

ANNUAL COMPENSATION REVIEW FOR PASTORS (2010)

This document contains a brief overview of the compensation topic, base salary adjustments for ordained ministers. As you move forward in your discussions of what types of compensation decisions you will make for your pastor in the new year, you may want to review this document. As many lay employees look forward to a review of their performance on the job and annual adjustments in salary, it is important that congregations consider an annual review of their pastor's performance and salary.

I. BASE SALARY

PURPOSE OF BASE SALARY ADJUSTMENTS

Pastors are professional leaders from the standpoint of education and function and should be compensated according to their qualifications, experience, responsibility and their job performance. They should be sufficiently independent financially to provide for their own economic needs and those of their families.

Pastors are also our spiritual leaders and may be reluctant to address compensation adjustment topics. Because of this issue, it may be helpful to request that an advocate be used in the annual review of the pastor's compensation package. Mutual Ministry Committees can be advocates for salary levels that reflect the competence and performance of the pastor.

We recommend that pastors' salaries be reviewed annually and base salary adjustments be thoughtfully considered. The following are some factors that those groups responsible for making recommendations may want to consider when determining salary adjustments for their pastor.

Where is the pastor's present salary positioned in the Base Salary Guidelines for 2009?

Performance evaluation to include: amount of duties performed during the year, scope of responsibility, any expanded ministries, meeting the objectives of the individual church, etc. Pastor and People: Making Mutual Ministry Work (available from www.augsburgfortress.org) has a chapter, *Ministry Review and Performance Evaluation* that will be helpful.

Standard of living increases.

What are other like professional people making in the current job market?

Following are three charts; the first is the Base Salary Guidelines for 2010. This chart is used when considering the minimum that should be paid to ordained ministers when a congregation is calling a new pastor. The second chart is a blank base salary adjustment worksheet that may be used for calculating recommended adjustment costs. The third chart is an example of how a congregation may work out an adjustment based on a pastor's current 2009 salary.

The Base Salary Guidelines for 2010

Years of Ordained Service	Minimum Base Salary
0 – 2	30,000
3 – 5	33,360
6 – 10	36,050
11 – 15	39,600
16 – 20	41,200
21 – 24	43,560
25 – 29	44,840

BASE SALARY ADJUSTMENT WORKSHEET

Pastor's current salary				\$ _____
Standard of living adjustment (1.0%)	x _____ %	=	_____	
Performance adjustment	x _____ %	=	_____	
Market adjustment	x _____ %	=	_____	
<u>Total Increase</u>			_____	
<u>2010 Base Salary</u>				\$ _____*

**Over/Under minimum guidelines for _____ years of service. See the chart above¹*

EXAMPLE OF A COMPLETED BASE SALARY ADJUSTMENT WORKSHEET

Pastor's current salary				\$ 41,000
Standard of living adjustment	x 1.0%	=	\$ 410.00	
Performance adjustment	x 1.0%	=	\$ 410.00	
Market adjustment	x .5%	=	\$ 205.00	
<u>Total Increase</u>			\$1,025.00	
<u>2010 Adjusted Base Salary</u>				\$42,025.00
				\$ 825.00

Over/Under minimum guidelines for 16 - 20 years service. See the chart above

¹We encourage you to consider movement toward at least the minimum guidelines. Movement beyond minimum guidelines can help a congregation retain an effective pastor.

II.

HOUSING ALLOWANCE

A. Housing and Utilities Allowance for Pastors Who Own Their Own Homes

This is for pastors who own their own house. A fair approach to determining the housing and utilities allowance is 1% (0.01) - 1.5% (0.015) per month of the reasonable market value of a house within the general community in which the congregation resides. A realtor can help determine this figure. This allowance is to cover the mortgage, interest, taxes, utilities and maintenance of the house, the amount of which should be mutually established by congregational council action to comply with IRS regulations. We recommend a range of \$14,000 - \$25,000. It should be remembered that even though housing costs are down that many pastors purchased homes at a higher market value. Housing allowances should reflect the purchase price rather than current housing market value.

B. Household Furnishings/Utilities Allowance and Housing Equity Allowance (Parsonage)

1. For pastors 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. The congregation will budget to pay the utilities (gas, electric, sewage, water, telephone, trash collection) directly. An allowance should include an amount to cover expenses to maintain the parsonage. (The pastor would be responsible for all personal long-distance calls and reimburse the congregation.)
2. Housing Equity Allowance. When congregations provide a parsonage, an equity allowance may be provided to assist the pastor in accruing an equity that is not otherwise available to her or him. This gives the pastor the financial resources to provide housing upon retirement or to have a down payment to purchase a house should the desire or need arise.

One way to establish a housing equity allowance is through the ELCA Optional Pension Plan. Information on this plan may be obtained through the ELCA Board of Pensions. A fair starting point in establishing an equity allowance is 3 - 5% of the total salary.

III.

**SOCIAL SECURITY TAX ALLOWANCE
FOR THE SELF-EMPLOYMENT
SOCIAL SECURITY TAX (SECA)**

Pastors, as self-employed, are obligated by the IRS to pay the full social security tax. Congregations shall provide a SECA allowance of at least one-half of the amount. The SECA rate for 2010 is 15.3% (7.65% equals one-half) of the pastor's taxable income. To calculate the SECA allowance, choose the appropriate category:

- A. The SECA Allowance for pastors who own their own house is calculated by adding the total base salary and housing allowance times .0765. See the example:

Base Salary (from page 2)	\$30,000
Housing Allowance	<u>15,000</u>
	\$45,000
	<u>X.0765</u>
SECA Allowance	\$3,442.50

- B. Parsonage Provided. The housing equivalency for determining social security allowance is calculated by multiplying the base salary times .30 (30%). The SECA allowance is 7.65% of the base salary and housing equivalency. Determine this by multiplying the total times .0765. See the example:

Base Salary	\$30,000
	<u>X .30</u>
Housing equivalency	\$9,000
Base Salary	\$30,000
Housing equivalency	<u>+9,000</u>
	\$39,000
	<u>X .0765</u>
SECA Allowance	\$2,983.50

IV.

**ELCA PENSION AND OTHER BENEFITS PROGRAM
2010 CONTRIBUTION RATES FOR CONGREGATIONS**

	Contribution Rate (as a % of defined <u>Compensation</u>)	Minimum Monthly <u>Contribution</u>	Maximum Monthly <u>Contribution</u>
A. Medical and Dental Plan			
Member only	13.1%	\$514	\$695
Member and Spouse	22.9	899	1,216
Member and Children	22.9	899	1,216
Member, Spouse and Children	32.8	1,285	1,737
*All coverage waived	0 ¹		

*The member and all eligible family members must be covered under a spouse's employer provided group plan or under the plan of a former employer in order for coverage to be waived.

- B. Disability** 2.6%²
- C. Administration and Retiree Support** 0.7%
- D. Pension Plan** 10-12.0%

Predecessor church plan members with continuous participation since 1987

Age on December 31, 1987	55 or older	12%
	45 - 55	11%
All other members		10%
Total Required Contributions: 13.3% to 48.1%		

It will be helpful if the congregation budgets the maximum amount for benefits to be prepared for any changes in the benefits requirements. Should the rate be less than the maximum amount, the difference should be used for the benefit of the pastor.

If both spouses are sponsored in the ELCA Pension and Other Benefits Program, both employers will be billed for the full cost of the family's medical and dental benefit. They will then receive a corresponding sponsored couple credit depending on the level of compensation provided for both spouses. Both organizations will continue to make the contributions for retirement, disability and survivor benefits for the individual they are sponsoring. Contact the ELCA Board of Pensions 1.800.352.2876 or www.elcabop.org

1 Waiver charge eliminated. The option to waive coverage remains.

2 Survivor Benefit Plan contribution suspended for 2010. Though no contributions will be collected the member will continue to receive full coverage. Current funds set aside for survivor benefits are sufficient to pay anticipated survivor benefits next year.

V.

PROFESSIONAL EXPENSES

The following items are considered professional expenses and are the responsibility of the congregation. These costs are not compensation. They are part of the congregation's operating expense.

A. Auto expenses can be provided for by:

1. Provide an automobile (purchase or lease) and all expenses; or
2. Provide a cents-per-mile allowance (IRS rate allowable is 55 cents per mile for 2009; adjustments may be made throughout the year by the IRS and should be reviewed six months into your fiscal year); or
3. Provide a fixed amount annually, paid monthly. A reasonable beginning point is \$5,300 per year. It should be noted that IRS rulings require accountability to the congregation's treasurer for such an allowance. The allowance and rate should be addressed during the year due to expense changes or adjustments to the IRS rate.

B. Continuing Education

1. The Evangelical Lutheran Church in America expects its professional leaders to have a minimum of fifty (50) contact hours annually in continuing education. Congregations are encouraged to make available to their pastors at least two weeks per year for continuing education. The scheduling of continuing education should be determined by the pastor in consultation with the Mutual Ministry Committee and the Congregation Council. We encourage a minimum of \$1,100 for continuing education (\$250 by the rostered leader and \$850 by the congregation).
2. Other professional expenses such as books, subscriptions to magazines and journals, vestments, and media resources may be handled by establishing a set amount in the budget and paying the expenses as they occur. The annual professional leaders' conference is an official meeting of the synod and should be paid by the congregation but not from the continuing education allowance.
3. An extended study and renewal period (sabbatical) of one to three months after five years of service in the present call is helpful and is recommended by the ELCA. The purpose of such a leave (with full compensation and benefits) would be to offer an extended block of time for study, personal growth, and reflection apart from usual congregational responsibilities.

VI.

OTHER PROVISIONS

- A. Vacation. Four weeks of vacation is the standard in the church and it should include four Sundays.
- B. Sick Leave should be provided for up to eight weeks per year (non-cumulative) with full salary, housing, and benefits.
- C. Maternity Leave shall be provided with at least six weeks at full salary, housing, and benefits. Because of special concerns or needs, additional time may be negotiated by the pastor and the congregation.
- D. Paternity Leave is recommended to new fathers for at least two consecutive weeks with full salary, housing, and benefits. Because of special concerns or needs, additional time may be negotiated by the pastor and the congregation.
- E. Adoptive Parental Leave should be provided immediately following the adoption. At least two weeks, taken consecutively, are appropriate with full salary, housing and benefits. Because of special concerns and needs, additional time may be negotiated by the pastor and the congregation.
- F. Work Week. Because of the nature of ministry, it is recognized that pastors are expected to fulfill many evening and weekend responsibilities beyond Sunday morning worship. Therefore, adequate time off (at least one full day per week) should be granted and encouraged that would be free from ministry-related responsibilities.
- G. A Mutual Ministry Committee is called for in the ELCA Model Constitution for Congregations. Often called a Staff Support Committee, the Mutual Ministry Committee provides for the care of pastors who are called to be our servant leaders. Pastor and People: Making Mutual Ministry Work can be ordered from Augsburg Fortress at www.augsburgfortress.org.
- H. Annual Review. The ministry and compensation package of the pastor should be reviewed on an annual basis by the Mutual Ministry Committee and/or the Congregation Council. The review should be based on conditions of the call, position description, constitution, performance, and personal growth factors by the Mutual Ministry Committee and/or Congregation Council. The review may include other pastors and other rostered leaders on the staff if desired. The areas of special attention for the leader should be used as a resource for the annual review.
- I. Part of the pastor's work is beyond the congregation in the synod and church-wide organization. The scope of this work should be agreed on by the Mutual Ministry Committee, the Congregation Council, and the pastor.

- J. Workers' Compensation. Clergy are covered by Workers' Compensation. Workers' Compensation can provide a satisfactory means of handling occupational disabilities. Workers' Compensation provides sure, prompt, and reasonable income and medical benefits to work-accident victims, or income benefits to their dependents. Contact your insurance provider to make sure that your Workers' Compensation coverage is current and adequate.
- K. In the situation of clergy couple housing, it is expected that each pastor will be compensated fully and separately with salary, housing and benefits.
For example:
- A. Separate congregations, one parsonage - the pastor whose congregation does not have a parsonage would still receive a housing allowance.
 - B. Same congregation, no parsonage, working 1 - 2 time - the couple would receive 1 - 2 compensation packages, including salary and housing.
 - C. Two separate congregations, no parsonage - each pastor should be fully compensated with a housing allowance appropriate for the community in which the couple resides.
 - D. Same congregation, with a parsonage, serving more than one full-time position - additional housing compensation for the portion of time above one full position should be provided.

QUESTIONS AND ANSWERS

1. *Who decides the compensation for the pastor, associate in ministry or diaconal minister?*
The decision will vary from congregation to congregation. In some congregations, the recommendation is often initially made by a finance committee or the Mutual Ministry Committee. In most congregations, the compensation is finally determined by the Congregation Council. It is appropriate for each member of the finance committee, Mutual Ministry Committee and the Congregation Council to have a copy of these salary guidelines so that all may make an informed decision.
2. *Who will be the rostered leader's advocate?* The Mutual Ministry Committee can be an advocate for the leader. Members of the synod's compensation task force can be consulted as well as synod staff.
3. *What will happen if we don't pay our rostered leader at guidelines?* Congregations that pay below the synod guidelines are often faced with sticker shock when they enter the call process for a new pastor. There is a relationship between clergy morale and compensation. In the past, some clergy found they could only receive appropriate compensation by seeking another call.
4. *What can we do if we are not at guidelines and want to move in that direction?* Some congregations develop a plan to be at guidelines over the next two or three years. What plan would work for your congregation? In some situations the finances have been limited. The stewardship committee of the synod can offer resources to assist the congregation and members to become better stewards.
5. *May we pay our rostered leader more than the minimum?* Yes!
6. *My rostered leader has 5 1/2 years of ordained/commissioned service. Does that put him/her in the 3 - 5 or 6 - 10 category?* It would be appropriate for your leader to be paid at the 6 - 10 year level. Congregations should begin building into the next category over a period of several years rather than trying to make that jump all at once.
7. *When I add the entire package together, it seems like a lot of money. Does the rostered leader really make that much?* No. In most jobs we do not consider pension, benefits and expenses when we think about how much we make. All of these are not reported on our W-2 forms. It is helpful to break down the package into three categories:
 1. *Compensation.* This is the leader's pay. This is what the leader makes.
 2. *Pension and Benefits.* These are benefits that most of us receive but in most jobs it is not considered compensation.
 3. *Expenses.* Expenses are costs to the congregation for the leader to do ministry; much like the expenses that a corporation has for the work of an employee.

The definition of compensation and benefits worksheet will be helpful in seeing the breakdown.

8. *How often and when must the congregation act to establish the pastor's housing allowance?* The Congregation Council must officially act annually on a motion to establish a housing allowance, and this figure must be designated at the council's first regularly scheduled meeting of each year. Simply providing the figure in the budget of the congregation is not enough. This provision applies only to pastors who do not live in a congregational parsonage.

As clergy housing allowance now stands, the amount of housing allowance that can be excluded from taxable income is always the smallest of the:

1. amount officially designated in advance, as "housing allowance by the pastor's congregation/church organization; or
2. amount spent for the pastor's primary residence (down payment, mortgage principal and interest, utilities, taxes, insurance, furnishings, maintenance, etc.); or
3. fair rental value of the pastor's home including furnishings and costs of utilities (owned or rented).

9. *What is the purpose of a sabbatical and what resources are available to assist us in planning?* The word sabbatical comes from the same root as the word Sabbath, which means to cease or to rest. Pastoral ministry is intense work. A sabbatical can be part of the plan to keep pastors fresh and vital over the long haul. Sabbaticals should be mutually planned by pastors, the Mutual Ministry Committee and the Congregation Council. A helpful planning resource is Clergy Renewal: The Alban Guide to Sabbatical Planning (available from the Alban Institute; order resource number AL214; at 1-800-486-1318 or at www.alban.org).
10. *What resources are available for compensation planning for lay employees of the congregation?* The Compensation Handbook for Church Staff is available at www.churchlawtoday.com. Click the bookstore and look under compensation.
11. *What are the rates for part time pastoral work?* When a congregation contracts for the services of a pastor on a part time basis, the recommended compensation is \$20-25 per hour plus expenses (meals and 55 cents per mile) depending on the pastor's experience and the specific needs of the congregation.
12. *What are the guidelines for supply pastors?* Compensation for Sunday supply preaching should be paid on the day of service as follows: One worship service at \$175 with \$50 for each additional Sunday service. An additional service that is not on Sunday will be \$150 with \$50 for each additional service on that day. The supply preacher is to be reimbursed for travel expenses (55 cents per mile), lodging and meals.
13. *Should we be providing our pastor with the self-employment social security allowance?* Yes! Our employers pay half of the social security tax for us. It is appropriate that our pastors also receive this same benefit.

**Definition of Compensation and Benefits Worksheet
Housing Allowance (No Parsonage)**

A. Compensation

- | | | |
|----|--|----------|
| 1. | Base Salary (page 3) | \$ _____ |
| 2. | Housing Allowance (page 4) | \$ _____ |
| 3. | Self-employed social security payment allowance (add base salary and housing then multiply by .0765) | \$ _____ |
| | <i>Total defined compensation</i> | \$ _____ |

B. Pension and other Benefits

- | | | |
|----|---|----------|
| 1. | ELCA pension at ____% of defined Compensation (page 6,D) | \$ _____ |
| 2. | ELCA medical and dental insurance at ____% of defined compensation (page 6, A) | \$ _____ |
| 3. | Disability, survivor & administration at ____% of defined compensation (page 6, B, C) | \$ _____ |
| | <i>Total pension and benefits</i> | \$ _____ |

C. Professional Expenses

- | | | |
|----|---|----------|
| 1. | Auto and travel allowance (page 7,A) | \$ _____ |
| 2. | Other professional expenses (page 7, B-2) | \$ _____ |
| 3. | Expenses for official meetings (page 7, B-2) | \$ _____ |
| 4. | Continuing education (\$850 minimum recommended (page 7, B-1) | \$ _____ |
| | <i>Total professional expenses</i> | \$ _____ |

**Definition of Compensation and Benefits Worksheet
Housing (Parsonage Provided)**

Compensation

1. Base salary (page 3) \$ _____
 2. Self-employment social security payment allowance (page 5, B) \$ _____
 3. Housing equivalency (add base salary and self-employment social security tax then multiply by .30)
 - Base salary \$ _____
 - Social security allowance + \$ _____
 - Total \$ _____
 - Multiply by .30
 3. Housing equivalency \$ _____
- Total defined compensation (add 1, 2, 3 from above)* \$ _____

Pension and Other Benefits

1. ELCA Pension at ____% of defined compensation (page 6,D) \$ _____
 2. ELCA medical and dental insurance at ____% of defined compensation (page 6,A) \$ _____
 3. ELCA disability, survivor and administration at ____% of defined compensation (page 6, B,C) \$ _____
- Total pension and benefits* \$ _____

Professional Expenses

1. Auto and travel allowance (page 7,A) \$ _____
 2. Other professional expenses (page 7, B-2) \$ _____
 3. Expenses for official meetings (page 7, B-2) \$ _____
 4. Continuing education (\$850 minimum recommended (page 7, B-1) \$ _____
- Total professional expenses* \$ _____