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Dear Congregational Leaders,

We give thanks to God for you and the faith that the Holy Spirit instills in you day by day. We give thanks that you have responded to God's call to tend to the Body of Christ where you are. As part of the health and welfare of your congregation, it is important that those who serve professionally are compensated in a **Just** and **Fair** way.

In order to assist you in making the decisions for compensation, we, the Synod Personnel Committee have provided a document for you. You will find the document by going to the Northwest Washington web site (www.lutheransnw.org), clicking on "Compensation Guidelines 2008" and scrolling down to "Northwest Washington Synod 2008 Congregation Compensation Guidelines".

There is much information in this document. Generally some of the greatest interest is in the recommendations for salaries. The grid that you see on page 3 represents a 3.7% increase in the cost of living as reflected by the government for our area. For our pastors there are five (5) columns. The far right column is the "Parity" column. This is the column that gives what we have calculated as a **Just** and **Fair** salary based on salaries of those with comparable education and responsibilities. If your congregation has not as yet reached this column or even gotten to the first column we encourage you to make a commitment to move over a column a year. This is what the Synod agreed to at our June assembly for our leaders.

There are two changes that have been made in the document that we want to call to your attention. The first is under #2, page 8, "Continuing Education Allowance". The recommendation has been raised to \$1 000 per year. The second is under #7, page 10, "Health and Wellness".

As you struggle, converse, pray and compromise about what is **Just** and **Fair** compensation for your pastors, may you continually be encouraged, supported and inspired by our most gracious God who desires that HIS BODY would be healthy and grow.

Yours in Christ,

Northwest Washington Personnel Committee

George Nowadnick, Chair; Cliff Bronson, Paul Onerheim, Jennifer Schultz, Paul Shoup, Kay Stendal, Larry Thomas

**NORTHWEST WASHINGTON SYNOD
2008 CONGREGATION COMPENSATION
GUIDELINES**

**For Rostered Leaders:
CLERGY, ASSOCIATES IN MINISTRY,
DIACONAL MINISTERS, DEACONESSES**

*Approved by Northwest Washington Synod Council
September 17, 2005
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**NORTHWEST WASHINGTON SYNOD
2008 Congregation Compensation Guidelines
for Rostered Persons: Clergy, Associates in Ministry,
Diaconal Ministers and Deaconesses**

Rationale

These guidelines are intended to assist congregation councils in providing for adequate compensation to professional leaders in parish settings. In most congregations, the funds allocated for such compensation represent a significant portion of the budget. Congregation councils, however, should take care that adequate consideration is also given to the maintenance of programs, benevolences, church partnership, and facilities. Balancing compensation and other program and ministry needs is a difficult responsibility, and it is impossible to develop guidelines applicable to all situations. The ultimate decision in each case rests with the congregation, based upon careful analyses of the ministry and mission of the church and the needs and concerns of its professional and lay leaders.

Fair compensation should be determined out of a mutual trust between the professional leaders and the congregation. This process should involve a forum where mutual concerns and expectations relating to compensation can be discussed with understanding and confidence. Necessarily, this process also includes periodic evaluation of the professional leader(s) as part of the evaluation of the strengths and weaknesses of the overall parish ministry. The Synod has adopted the *Northwest Washington Synod Guidelines for Pastoral Evaluation*, and the 1997 Synod Assembly adopted the MISSION 2000 program which requires an annual evaluation of rostered persons.

These compensation guidelines apply to lead pastors, co-pastors, assistant and associate pastors, interim pastors serving full time in congregations under call, and lay professionals: associates in ministry, diaconal ministers and deaconesses. In determining salaries for lay professionals, congregations may wish to consider similar experience in the ELCA before becoming rostered. These guidelines must be adjusted for part-time professional leaders. The congregation may consider paying a part-time professional leader an hourly rate or salary based proportionately on these guidelines. The congregation is responsible for the pension and health insurance benefits for a part-time professional leader. Other benefits are negotiable, but the congregation is urged to provide fair and equitable treatment to a part-time professional leader. **In all cases, compensation, benefits, allowances, and expenses must be based upon and consistent with a professional leader's letter of call.**

Facts of Life

In considering compensation, a congregation council is likely to consider such issues as the following: "What we can afford," anticipated income, multiple demands on income, or "We're just a small congregation." While these factors are real, so are others. Should not a pastor in a small congregation who has to "do it all" be compensated the same as one in a church with two pastors and a support staff? A pastor's pension level is based upon the pre-retirement salary level, so if a pastor is paid at a "below average" level, he/she will receive a "below average" pension payment.

A congregation may only consider inflation updates to the original (letter of call) salary; yet, when a new pastor is to be called, might not the salary offered be closer to the "going rate", and higher than the salary of the current serving pastor? Fairness to the pastor should be balanced with the congregation's financial resources and other spending needs.

Finally, professional leaders are encouraged to initiate compensation discussions if a disparity presents any undue hardship. Congregation leaders should consider making a three-year commitment to raise their professional leader's compensation to meet Synod guidelines. This should be accompanied by a congregation information/education process.

Salary Components

A. Salary and Housing

The congregation must provide a salary, which consists of a combined base wage and housing allowance, to the rostered leader. Partitioning of base wage and housing is necessary because the housing allowance for clergy is not subject to Federal income tax. The full amount, however, less unreimbursed professional expenses, is subject to social security tax under the Self-Employed Contributions Act (SECA).

The setting of the salary amount should involve consideration of a variety of factors, including the following: merit and performance; degree of responsibility in the parish; years in ministry; special skills, education, and/or experience; size of congregation; ability of the congregation to pay; etc.

Several years ago, congregations were encouraged to compensate pastors at the parity level, possibly phasing the necessary increases in over a three or four year period. We know that for some congregations this represented a significant increase. Congregations that have not been able to make the entire increase to parity by 2008 are encouraged to make an increase in compensation in 2008 that will allow the pastor to reach parity over the next year by using the middle columns between *base salary* and *parity*.

In the chart on the following page, there are seven columns of recommended salaries. Column 1 is for associates in ministry, deaconesses, and diaconal ministers with a Bachelor's degree. Column 2 is for persons who have a lay Master's degree. Columns 3-7 are for ordained pastors with a Master's of Divinity degree. Column 3 is the amount of the 2007 compensation guidelines plus a 3.7% cost of living increase, which is the *base salary*. Column 7 is the amount that the Synod Personnel Committee (approved by Synod Council) believes represents *parity* with comparable occupations in the market place. Columns 4-6 are simply 25%, 50% and 75% of the way from the *base salary* to the recommended *parity*.

Northwest Washington Synod 2008 Compensation Guidelines

Associate in Ministry Deaconess Diaconal Minister				Ordained Pastor, Master of Divinity					
Years of Service	Bachelor's Base	Lay Master's Base	Parity*	Years of Service	Pastor's Base	+25% Step To Parity	+50% Step To Parity	+75% Step To Parity	Pastor's Parity
	Column 1	Column 2			Column 3	Column 4	Column 5	Column 6	Column 7
0	33,027	36,992		0	40,955	41,431	41,909	42,385	42,863
1	34,680	38,644		1	42,606	43,098	43,591	44,085	44,578
2	36,330	40,294		2	44,256	44,783	45,309	45,834	46,361
3	37,982	41,947		3	45,909	46,486	47,061	47,638	48,214
4	39,635	43,598		4	47,559	48,206	48,851	49,498	50,143
5	41,285	45,248		5	49,211	49,946	50,680	51,414	52,149
6	42,938	46,901		6	50,863	51,706	52,549	53,391	54,235
7	44,589	48,552		7	52,514	53,487	54,459	55,432	56,403
8	46,240	50,203		8	54,166	55,289	56,413	57,537	58,660
10	47,892	51,855		10	55,578	56,934	58,293	59,651	61,008
12	49,543	53,505		12	57,467	58,964	60,458	61,951	63,447
14	51,194	55,158		14	59,120	60,837	62,553	64,269	65,985
16	52,846	56,809		16	60,770	62,735	64,697	66,660	68,625
18	54,496	58,459		18	62,422	64,659	66,897	69,133	71,370
20	56,149	60,112		20	64,074	66,612	69,148	71,686	74,224
22	56,974	61,103		22	64,900	67,972	71,046	74,120	77,194
24	57,800	61,929		24	65,724	69,365	73,003	76,643	80,281
26	58,626	62,754		26	66,549	70,785	75,021	79,258	83,493
28	59,451	63,580		28	67,377	72,241	77,105	81,969	86,833
30	60,277	64,405		30	68,202	73,727	79,255	84,780	90,305

*Refer to paragraph 3 of the Congregational leaders letter.

Housing allowance causes a great deal of confusion. Federal law limits the amount of housing allowance that can be claimed. It is always the **lowest** of the following:

1. Fair rental value of the home, including furnishings and utilities;
2. The amount spent for the home, including down payment, mortgage payments, utilities, real estate taxes, property insurance, furnishings and appliances (purchase and repair), remodeling and repairs, and yard maintenance and improvements, or;
3. The amount designated in advance by the congregation.

To be excluded from taxable income, housing allowance needs to be officially designated in a congregational resolution, meeting minutes or budget before payment is made; i.e, in advance of the calendar year or in advance of a new pastor starting employment. (If a congregation fails to designate an allowance in advance of a calendar year it should do so as soon as possible in the new year. The allowance will operate prospectively, but never retroactively.)

If a parsonage is provided, 30 percent of any amount in the above chart is presumed to be housing. If the pastor is living in a parsonage, the congregation should consider providing a housing equity allowance.

A **housing equity allowance** is used by forward-thinking congregations to deal with the situation where a pastor has spent his/her career in congregations with parsonages and has essentially been prevented from building up equity over the years that is normal for pastors who own their own home. Because parsonages are generally provided more for the economic benefit and convenience of the congregation than for the pastor, the equity allowance is an appropriate response to the situation by the congregation. This is best accomplished by providing the allowance in the form of a tax-sheltered annuity. This limits the tax burden on the pastor and helps ensure that the funds are not available until retirement. Contact the ELCA Board of Pensions for more information. (Housing equity contributions must be designated as a line item in the church's budget as a benefit over and above the pastor's defined compensation.)

Pastors pay **social security taxes on housing allowance**, but not on pension plan withdrawals or housing equity. It's important for pastors utilizing the housing allowance privilege to keep records of housing expenses for purposes of justifying the non-tax income to the IRS. Questions concerning the housing allowance exclusion or the completion of IRS Form 1040 should be addressed with a qualified tax adviser who is knowledgeable about the unique tax situations for ordained clergy.

Also keep in mind that the housing allowance privilege ends when the pastor dies; surviving spouses are not eligible. The same is true in cases of divorce.

Associates in ministry, deaconesses and diaconal ministers are not generally allowed to exclude a housing allowance from their Federal taxable income. Therefore, their entire salary is subject to Federal income tax withholding and normal social security payment under FICA.

For income tax purposes, pastors are considered employees of the congregation. Therefore, they must be issued a W-2 because the ELCA Board of Pensions declares a pension benefit to “employees” only. For social security (SECA), however, clergy are considered self-employed. **The congregation is encouraged to provide an allowance to the pastor of at least 50 percent of the prior year’s actual self-employment tax.** SECA rules dictate that this allowance be reported as taxable income, and the ELCA Board of Pensions has deemed it to be part of income when computing pension plan contributions.

B. **Benefits Provided through the ELCA**

Congregations are expected to enroll rostered persons in the **ELCA Pension and Other Benefits Program**. This one enrollment provides for a retirement account, for health insurance (medical, dental and disability coverages), and for a survivor’s benefit plan. The contribution rates (as a percentage of “defined compensation”) are set annually, and Exhibit 1 provides this information for the current year. As changes in these contribution amounts are announced by the ELCA, you will be advised. *Note:* The congregation may contribute amounts to the pension fund on behalf of the rostered person in excess of the prescribed contribution.

Participants in the ELCA Pension Plan normally participate in the medical and dental coverage, disability coverage, and survivor’s benefit plans. *Individual rostered persons may waive medical and dental coverage;* however, congregations are expected to offer all ELCA coverages. Congregations also should provide coverage for the spouse and children, if other coverage is not available.

For pension calculation purposes, a parsonage value should be the amount used to calculate the ELCA contribution. This will prevent an unfairness to a pastor’s retirement income.

If both spouses are enrolled in the ELCA Pension Plan, each congregation will be billed for the medical and dental plan, rather than the entire amount for the couple being billed to the employer paying the higher salary.

Questions regarding pensions, health insurance, and other ELCA benefits should be addressed to the ELCA Board of Pensions, 800 Marquette Avenue, Suite 1050, Minneapolis, MN 55402; (800) 352-2876; www.elcabop.org.

C. **Professional Allowances and Expenses**

The following allowances and expenses are a part of compensation, and congregations should provide or consider providing them consistent with the letter of call.

1. Reimbursement for Use of Privately Owned Vehicle

Recent revisions in the Internal Revenue Code dictate the elimination of the “auto allowance.” The preferred method is for the reimbursement of actual travel based on the current IRS recommendation. It is essential to maintain adequate records to support the payments. An alternative method is for the congregation to own or lease an automobile for the use of the rostered leader. The rostered leader, in order to comply with tax regulations, would be required to report and be taxed on personal use of such a vehicle.

2. Continuing Education Allowance

The congregation should provide time and funds to the rostered person for the purpose of continuing education, consistent with the letter of call. Such activities are designed for self-improvement, which will result in strengthened ministry. The suggested amount for continuing education for a pastor is \$1,000 annually; the suggested time allowance for a pastor is two weeks per year, including two Sundays. The amount and time of the continuing education allowance for a lay rostered person depends upon his/her position, responsibilities, and other relevant factors.

The congregation should encourage the rostered leader to contribute an additional \$250 annually to his or her own continuing education. The rostered leader and the congregation may negotiate to “bank” funds and time allocated to continuing education for a period up to three years. Congregations are encouraged to send continuing education allowance funds to the Financial Services Office (FSO) at Region 1 each year. The FSO will hold the funds and make them available through the proper form submitted by the rostered person. FSO will not calculate accruals nor will it attribute interest to the accounts. In all cases, the congregation and the rostered leader should plan together regarding continuing education programs and areas of study.

3. First Call Theological Education

Newly ordained persons are required by the ELCA to participate in a First Call Theological Education program. The congregation should provide time and funds for participation in this program. It should be noted that the program is three years in length and may extend to a “second call” if the pastor should accept another call during this three-year period.

4. Allowance for Resource Material

The congregation may provide a book/periodical allowance for the education requirements of the rostered leader. If provided, this allowance should not be considered part of the continuing education allowance.

5. **Other Professional Expenses**

The congregation should reimburse the rostered leader for expenses relating to attendance at the Synod Assembly and any Bishop's convocations at which attendance is required. The congregation may consider reimbursement for the rostered leader for attendance at other church related conventions, clusters, convocations, or meetings. Congregations also may consider reimbursement for other out-of-pocket expenses incurred by the rostered leader in the course of the day-to-day life of the congregation.

Non-Monetary Benefits

1. **Vacations**

The congregation should grant an annual vacation to the rostered leader, consistent with the letter of call. The recommended vacation for a pastor is four weeks (i.e., 28 days including four Sundays). The amount of vacation for a lay professional depends upon his/her position, responsibilities, and other factors, but it should not be less than two weeks. Additional vacation time—based on length of time with the congregation, service in the ministry, and other factors—should be determined by the personnel committee. Those functions requiring the rostered leader's attendance, whether church-related or military duties, should not be considered vacation.

2. **Days Off**

The congregation should see that the rostered leader receives and takes a minimum of one regular day per week as time off. Meetings and events should not be scheduled on the day off, and the rostered person should be available for consultation only in the event of an emergency.

3. **Sick Days**

The congregation should grant a reasonable number of annual sick days consistent with the letter of call and coordinated with ELCA pension and benefit guidelines. Sick days may be used to care for sick dependent children.

4. **Childbirth/Adoption Leave**

The congregation should consider granting childbirth/adoption leave to a rostered leader. The Synod recommends provision for childbirth/adoption leave of six weeks with full salary, housing, and benefits. It is important that the specific benefits be clearly defined and consistent with the letter of call. Some congregations also allow paternity leave, which may be considered on an individual basis.

5. **Sabbatical or Extended Study Leave**

The congregation should periodically consider granting a rostered leader an extended period for study, personal growth and reflection. Information regarding sabbatical or extended leave may be obtained from the Synod office.

6. **Jury Duty**

The congregation is encouraged to pay a rostered leader full pay during jury duty leave of up to two weeks each time they are called for jury service. If the leader chooses to receive full pay, fees paid to him or her for serving on jury duty are to be given to the congregation. The rostered leader is required to provide the congregation with proof of jury service.

7. **Health and Wellness**

Since the Board of Pensions of the ELCA has called to our attention the generally poor health of our pastors, we encourage each congregation to take steps to make health and wellness a priority item for their pastors. In the past we have recommended that congregations support their pastors in having a yearly physical exam and assist in paying for that if the insurance does not cover this item.

Health care costs are determined by the health risk of the pool of participants. Rising costs of health care reflect the declining overall general health of pastors making them a higher risk group. Now is the time to encourage more preventive health care and health maintenance for our rostered leaders for their sake and for the stewardship of the church's resources.

We believe that it is now important to go beyond simply having a physical exam. The research shows eating healthy, doing regular exercise, and stress reduction activities need to be part of the preventative regimen. To this end, we encourage you to provide the opportunity for your pastor to have a regular exercise program by paying for an athletic club or YMCA membership. In working with stress reduction, we encourage the use of regular therapeutic massage therapy, regular professional meditation classes, working with a nutritionist, personal silent retreat, seeing a therapist or Spiritual Director, getting a personal coach, or getting a personal trainer.

8. **Malpractice Insurance**

Changes in societal attitudes are making clergy more vulnerable to malpractice claims. Therefore, the congregation should provide professional liability coverage for the pastor. Questions regarding this insurance coverage should be addressed to the congregation's insurance agent. Coverage for lay professional should be evaluated on a case-by-case basis, depending on the nature of his/her ministry.

9. **Additional Benefits**

The congregation may consider a number of additional programs currently available as further benefits for the rostered leader. These include: supplemental health insurance, tax-sheltered annuities, 403B tax-deferred plans, individual retirement plans, and Keogh retirement plans. In all cases the complexities of these programs require research and assessment of each individual's specific situation. Further information can be acquired from professionals trained in these fields.

Payment to Supply Pastors

The congregation should establish reasonable reimbursement rates for the conducting of worship services and travel time when the pastor is unavailable due to vacation, illness, attendance at a church event, military duty, sabbatical, or the like. The recommended rate for teaching a class is negotiated by the presenter with a minimum of \$100. The recommended rate is \$200 for one worship service, \$300 for two services and \$100 for each additional service on the same day, and at the same location. Additional consideration should be given when services in one day occur in the morning and in the evening. Travel should be reimbursed at the same rate for mileage indicated earlier.

Taxes

Tax laws related to compensation, benefits, allowances, and expenses are increasingly complex in general and particularly regarding the clergy. These guidelines are not intended to provide tax or financial planning advice. Rostered leaders and congregations are advised to consult professionals in these areas to address specific questions regarding the tax consequences of particular payments.

ELCA Board of Pensions Contribution Rates

The Board of Pensions posts contribution rates for the following year on their website at https://www.elcabop.org/Home/BenefitsAdmin/Budgeting_benefits/Contribution_rates.aspx (there is an underscore between 'Contribution' and 'rates' in the above address and no space after 'as' at the end of the line) for additional information on the 2008 contribution rates.

Questions?

The Synod Personnel Committee annually reviews these guidelines to update recommendations, reflect inflation, etc. Should your congregation have any comments or questions, please contact the Synod Personnel Committee through the Synod Office.