

September 2008

Dear Congregational Leaders,

We give thanks to God for you and the faith the Holy Spirit installs in you day by day. We give thanks 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, the Synod Personnel Committee has 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 2009", and scrolling down to "Northwest Washington Synod 2009 Congregational Compensation Guidelines".

There is much information in this document. Generally some of the greatest interest is in the recommendations for salaries. The grid you see on page 6 represents a 3.9% 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 "Pastor's 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. We encourage you to research and establish "Parity" for rostered lay personnel: Associates in Ministry, Deaconess and Diaconal Ministers, and work toward the achievement of "Parity" here as well. If your congregation has not as yet reached parity, we encourage you to make a plan to take steps toward parity. This is what the Synod agreed to at our May assembly for our leaders.

You will note we have extended the "Years of Service" column from 30 years of service since ordination to 40 years of service since ordination. We have also included a short explanation on pages 5 and 6 as to how we arrived at the 3.9% CPI increase for the 2009 salary levels.

As you struggle, converse, pray and compromise about what is Just and Fair compensation for your pastors and rostered lay leaders, 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
2009 CONGREGATION
COMPENSATION GUIDELINES**

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

*Approved by Northwest Washington Synod Council
July 12, 2008*

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NORTHWEST WASHINGTON SYNOD
2009 Congregation Compensation Guidelines
For Rostered Persons: Clergy, Associates in Ministry,
Diaconal Ministers and Deaconesses

Rationale

These guidelines are intended to assist congregations 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. Congregations, 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 challenging responsibility, and it is impossible to develop guidelines applicable to all situations. The ultimate decision in each case rests with the congregation, based upon prayerful analyses of the ministry and mission of the church and the needs and concerns of its professional 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 requirement of an annual evaluation of rostered persons.

These compensation guidelines apply to all rostered professional leaders which include lead pastors, co-pastors, assistant and associate pastors, interim pastors under call, associates in ministry, diaconal ministers and deaconesses. [This document will use the term "professional leaders" to refer to these rostered professional leaders.] In determining salaries for professional leaders, congregations may wish to consider similar experience in the church or other professional positions of the rostered leader before he/she became 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 rostered professional leader's letter of call.**

Facts of Life

In considering compensation, a congregation is likely to discuss such issues as the following: "What we can afford," anticipated income, and multiple demands on income. We encourage conversation about what might be a just and fair salary based on salaries of those in the community with comparable education, experience, and responsibilities, (use the parity column on the compensation guideline chart). Many first call professionals turn down calls because the salary offered makes it very difficult to service the debt on their University and Seminary education loans. Be aware also that a low income now, which allows a professional leader to survive, becomes a lower income in retirement, at which point, it may not be a livable income. The ELCA pension payment level is based upon the pre-retirement pension contributions. Therefore, if a person is paid a "below average" salary, they will receive a "below average" pension payment.

Some congregations offer only inflation increases to the original (letter of call) salary. Yet, when a new person is called, the salary offered might be closer to the "going rate", and higher than the salary of the current professional leaders.

Fairness to the professional leader should be balanced with the congregation's financial resources and other spending needs. However, at the top of the list of the plans for the next year should be a plan for increased outreach and a plan to encourage increased generosity among our people. We need to move beyond just a survival mentality in our congregations.

Another common statement is, "We're just a small congregation." The implication is that there is not as much work required of our professional leaders as there is in a larger congregation. While on the surface this may seem to be true, the reality is that professionals in a small congregation become "do it all" people and ought to be compensated the same as those in larger congregations with two pastors and two or three lay professionals to share the work load. The congregation which identifies itself a "just a small congregation" should never use that for an excuse to be less than faithful in discipleship. It should be asking itself, "Why are we small?" "How is our size helping or hindering our ministry?" "What can we do about it?"

Again, we encourage a process of determining fair compensation that is developed out of a mutual trust between the professional leaders and the congregation. This process should include the opportunity to share mutual concerns and expectations relating to compensation which can be discussed with understanding and confidence. However, if this is not happening, professional leaders are encouraged to initiate compensation discussions, especially if a disparity presents any undue hardship. If the rostered leaders are not being paid at Synod guidelines, the congregation leaders should make a three-year commitment to raise their professional leader's compensation to meet Synod guidelines. This should be followed by a two to three year plan to then move toward parity. Of course, all of this will be accompanied by a congregation information/education process.

It is good for congregational leaders to set an example of generosity and fairness if we expect to see the same kind of response from the congregation. Fair and just salaries for professional leaders and all staff is one way to set that example.

Salary Components

A. Salary and Housing

The congregation must provide a salary for their rostered professional leaders. For those professional leaders who are ordained clergy, that salary is split into a wages and housing allowance. Separating out the housing allowance is necessary because the housing allowance for clergy is not subject to Federal income tax. The full salary, however, less unreimbursed professional expenses, is subject to social security tax under the Self-Employed Contributions Act (SECA).

The amount of the housing allowance should be determined in conversation with each ordained clergy person and then approval of amounts recorded in the minutes of a council or congregational meeting prior to beginning payment to those persons. These amounts may be changed but must be noted in meeting minutes prior to the actual change in payments.

B. Parity

Several years ago, congregations were encouraged to compensate professional leaders at the parity level, possibly phasing the necessary increases in over a three or four year period. We know that for some congregations this represents a significant increase. Congregations that have not been able to make the entire increase to parity are encouraged to make an increase in compensation this year that will move the professional leader closer to parity.

C. Compensation Chart Information

In the chart on the following page, there are eight columns of recommended salaries. Column 1 is for associates in ministry, deaconesses, and diaconal ministers with a Bachelor's degree. Column 2 is for associates in ministry, deaconesses, and diaconal ministers who have a lay Master's degree. Column 3 is for parity for those who are included in columns 1 and 2. Column 3 is left blank because the positions and responsibilities are so varied that it is difficult to make one recommendation for parity. We encourage each Congregation Personnel Committee, in partnership with the professional leader, to arrive at a parity amount for this column for the individual position.

Columns 4-8 are for ordained pastors with a Master's of Divinity degree. Column 4 is the amount of the 2008 compensation guidelines plus a 3.9% cost of living increase, which is the *base salary*. Column 8 is the amount that represents *parity* with comparable occupations in the market place. Columns 5-7 are simply 25%, 50% and 75% of the way from the *base salary* to the recommended *parity for the purpose of assisting in setting goals to reach parity*.

Since the salary guidelines the Synod Personnel Committee was using prior to 2002 had evolved from predecessor church bodies from the early 1970s, it was decided to do a study to attempt to determine what an appropriate salary would be in 2002. The Personnel Committee engaged a consultant who used a tool that was developed by MIT, to study salaries in the Northwest Washington Synod. The 2002 salaries have been inflated annually using the increase in the Consumer Price Index for the Seattle/Bellevue/Everett CPI, based on data published by the U.S. Bureau of Labor Statistics. The result is column 8 on the chart named "Pastor's Parity", which is a salary commensurate with those in the corporate world with similar training and responsibilities.

Resources are available online that can be helpful, as well as some information on the Synod website, www.lutheransnw.org, on the Personnel Committee page.

Northwest Washington Synod 2009 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	Column 8
0	34,315	38,435		0	42,552	43,047	43,543	44,038	44,535
1	36,033	40,151		1	44,268	44,779	45,291	45,804	46,317
2	37,747	41,865		2	45,982	46,530	47,076	47,622	48,169
3	39,463	43,583		3	47,699	48,299	48,896	49,496	50,094
4	41,181	45,298		4	49,414	50,086	50,756	51,428	52,099
5	42,895	47,013		5	51,130	51,894	52,657	53,419	54,183
6	44,613	48,730		6	52,847	53,723	54,598	55,473	56,350
7	46,328	50,446		7	54,562	55,573	56,583	57,594	58,603
8	48,043	52,161		8	56,278	57,445	58,613	59,781	60,948
10	49,760	53,877		10	57,746	59,154	60,566	61,977	63,387
12	51,475	55,592		12	59,708	61,264	62,816	64,367	65,921
14	53,191	57,309		14	61,426	63,210	64,993	66,775	68,558
16	54,907	59,025		16	63,140	65,182	67,220	69,260	71,301
18	56,621	60,739		18	64,856	67,181	69,506	71,829	74,153
20	58,339	62,456		20	66,573	69,210	71,845	74,482	77,119
22	59,196	63,486		22	67,431	70,623	73,817	77,011	80,205
24	60,054	64,344		24	68,287	72,070	75,850	79,632	83,412
26	60,912	65,201		26	69,144	73,546	77,947	82,349	86,749
28	61,770	66,060		28	70,005	75,058	80,112	85,166	90,219
30	62,628	66,917		30	70,862	76,602	82,346	88,086	93,827
32	63,485	67,774		32	71,719	78,146	84,580	91,007	97,434
34	64,342	68,631		34	72,576	79,725	86,885	94,035	101,182
36	65,199	69,488		36	73,433	81,337	89,263	97,169	105,070
38	66,057	70,345		38	74,291	82,984	91,711	100,411	109,098
40	66,914	71,203		40	75,148	84,665	94,232	103,760	113,267

*Refer to paragraph 3 of the Congregational leaders letter.

The 2009 increase in the Compensation Guidelines is based on the annual Consumer Price Index increase for the Seattle-Tacoma-Bremerton, WA area for the year ended December 31, 2007, as computed by the U.S. Bureau of Labor Statistics.

D. Housing Allowance

Housing allowance often causes some confusion for treasurers and congregation councils. 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 (1-800-352-2876) 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.

E. 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 coverage), and for a survivor’s benefit plan. The contribution rates (a percentage of “defined compensation”) are set annually. Current information can be found at www.elcabop.org/Home/BenefitsAdmin/Budgeting_benefits/Contribution_rates.aspx including rate calculators. 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 professional leader 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 professional leaders may waive medical and dental coverage;* however, congregations are expected to offer all ELCA benefits. Congregations also should provide coverage for the spouse and children, if other coverage is not available.

For pension calculation purposes, a parsonage fair market value should be the amount used to calculate the ELCA contribution. This will prevent an unfair contribution level to a professional leaders 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.

F. Professional Allowances and Expenses

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

1. Reimbursement for Use of Privately Owned Vehicle

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 reimbursement 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 professional 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 in this congregation or in another to which the leader may be called in the future. The suggested amount for continuing education for professional leaders is \$1,000 annually; the suggested time allowance for a professional leader is two weeks per year, including two Sundays. As congregations review salaries annually, these benefits should also be reviewed.

The congregation should encourage the professional leader to contribute an additional \$250 annually to his or her own continuing education. The professional 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 for the specific leader. The FSO will hold the funds and make them available through the proper form submitted by the professional leader. FSO will not calculate accruals nor will it attribute interest to the accounts. In all cases, the congregation and the professional 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 professional leader. If provided, this allowance should not be considered part of the continuing education allowance.

5. Other Professional Expenses

The congregation should provide for expenses of the rostered leader relating to attendance at the Synod Assembly, Bishop's convocations, cluster meetings, synod convocations and/or related conventions at which attendance is required or strongly encouraged. Congregations also should provide reimbursement for other out-of-pocket expenses incurred by the professional 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 professional leader, consistent with the letter of call. The recommended vacation for a pastor is four weeks (28 days including four Sundays). The amount of vacation for other professional leaders depends upon their position, responsibilities, and other factors, but 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 professional leader's attendance, whether church-related or military duties, should not be considered vacation.

2. Days Off

The congregation should see that the professional leader receives and takes a minimum of one regular day per week, and as often as possible, two days, as time off. Meetings and events normally should not be scheduled on the day off, and the professional leader 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 a sick dependent child or other relative under certain circumstances..

4. Childbirth/Adoption Leave

The congregation should consider granting childbirth/adoption leave to a professional 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 professional 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 professional 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 professional 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 professional leader, we encourage each congregation to take steps to make health and wellness a priority item. In the past we have recommended that congregations support their professional leaders in having a yearly physical exam and assist in paying for what the insurance does not cover.

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 professional leaders making them a higher risk group. Now is the time to encourage more preventive health care and health maintenance for our professional 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 providing 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, a therapist or Spiritual Director, a personal coach, a personal trainer, and/or personal silent retreats.

8. Malpractice Insurance

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

9. Additional Benefits

The congregation may consider a number of additional programs currently available as further benefits for the professional 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

When the called pastor is unavailable due to vacation, illness, attendance at a church event, military duty, sabbatical, or the like, the congregation should establish reasonable reimbursement rates for supply pastors who conduct worship services, teach classes and provide visitation ministries. Compensation for supply pastors includes reimbursement of travel expenses at the recommended IRS rate.. The recommended rate for teaching a class is negotiated by the presenter with a minimum of \$100. The recommended rate for conducting one worship service is \$200, for two services \$300, 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.

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. Professional leaders and congregations are advised to consult professionals in these areas to address specific questions regarding the tax consequences of particular payments.

Questions

The Synod Personnel Committee annually reviews these guidelines to update recommendations and reflect inflation. Should your congregation have any comments or questions, please contact the Personnel Committee through the Synod Office (206-783-9292).