

# Northern Illinois Synod, ELCA

## 2009 Compensation Guidelines

### Ordained/Licensed Pastor

*Creating and updating a compensation package for your pastor does not have to be a lengthy and confusing process. To that end, this document provides guidelines for congregations to use in determining a pastor's compensation. This document is in three (3) sections: Rationale, Appendices, and Worksheets. The sections are separated so that they could be used side-by-side, especially when using the rationale to fill out a worksheet.*

## Rationale

### I. COMPENSATION

**A. Cash Salary** – the following guidelines are considered appropriate for a called and ordained minister of the ELCA serving in the Northern Illinois Synod.

1. **Base Salary** - The suggested entry-level cash salary in 2009 is \$31,930. For additional years of service, use the table in Appendix A. For 2009, a year of experience is valued at \$625. Compensation beyond 25 years of experience should be agreed upon by the pastor and congregation, taking in to consideration factors such retirement funding, additional vacation time, etc. It is recommended that compensation for part-time clergy positions, such as interim ministry, should be pro-rated according to time contracted with the congregation. For instance, a pastor serving one-half time with a congregation should be paid one-half the appropriate base salary.

Additionally, when determining Base Salary it is important to consider **Previous Career Experience**. As more “second career” people enter this ministry, the question of a fair and equitable salary takes on new ramifications. In many cases, previous experience is relevant to the work of the ministry. Therefore, pastors who enter the rostered ministry after years of work in other occupations should be compensated at a rate that recognizes the value of their work experience and maturity. Congregations are urged to consider giving experience credit for previous work. It is recommended for purposes of calculating cash salary, that for every two years of professional experience in another field, the minister be credited with one year of professional experience in the ministry.

2. **Annual Merit Increase** – An annual salary increase for merit is encouraged. A merit increase in the range of 0-15% of the base salary is recommended. Factors influencing this decision include fulfilling the contracted continuing education requirement, attainment of advanced degrees, serving multiple point parishes, or fulfilling additional responsibilities, such as serving as a senior pastor on a staff. Additionally, the congregation and pastor may perform a mutual evaluation, such as the one found in the *Assessment of Staff and Congregational Ministry* professional evaluation forms available online at <http://www.nisynod.org/resources/mutualministry/index.htm>

### **B. Housing (Choose either 1 or 2)**

1. **Pastor as Homeowner** - If a pastor owns or rents his/her own home, it is recommended that the congregation grant a **Housing Allowance**. The **Housing Allowance** is applied to the home's expenses, such as mortgage, taxes, rent, insurance, utilities, etc. With this Housing Allowance, the pastor (and family) should be able to acquire and maintain adequate housing within the church's service area.

A common method to begin to determine a figure for **Housing Allowance** is to use an annual fair market rental value (furnished) of a home in the community. To begin, find the median cost of a home in the community (use the resource at <http://www.elca.org/research/zipnet.html> ) and add 12% of that cost to that figure for being fully furnished. Taking 1% of this figure determines the monthly fair market rental value (furnished). Multiplying this figure by 12 establishes the annual figure. The two examples below show how these values might vary:

*(for these examples, county median home costs are used – specific city information is available)*

Example 1 – McHenry County – 2003 Median Home Price \$195,464

$\$195,464 \times 1.12 = 218,920 \times .01 = \$2,189/\text{month} \times 12 \text{ months} =$

\$26,268 annual housing allowance BEFORE utilities and other expenses

Example 2 – Lee County – 2003 Median Home Price \$95,852

$\$95,852 \times 1.12 = 107,354 \times .01 = \$1,074/\text{month} \times 12 \text{ months} =$

\$12,888 annual housing allowance BEFORE utilities and other expenses

*When the pastor receives a Housing Allowance, please note that there are complicated tax implications for both the congregation and the pastor that should be followed. For more information on these implications, please consult Appendix B.*

2. **Parsonage provided by the congregation** - If the pastor lives in a parsonage, the Board of Pensions states that the **value** of such housing must be determined to figure the pastor's Defined Compensation. They use 30% of the pastor's base salary. Additional value is added for the value of Social Security Allowance on this amount as well.

In addition, the congregation may choose to pay a **Utilities Allowance** and/or a **Furnishings Allowance** reflecting a fair estimate of costs, directly to the pastor. Costs of the allowances are tax deductible up to the actual amount expended. The actual amount of these allowances is added to the value of the parsonage when figuring Defined Compensation.

Finally, the congregation is also encouraged to provide an **Equity Allowance**. An equity allowance compensates the pastor for the loss of equity associated with not owning a home. An equity allowance helps provide for a pastor and his/her family in the event of retirement, death, disability, or paying for housing later in ministry when a parsonage is no longer available. An annual equity allowance that would represent an annual principal payment in the midst of a mortgage is sufficient. Our recommendation is an allowance in the range of 3-10% of the pastor's annual cash salary.

*Unless the equity allowance is invested in a tax-sheltered account for the individual, it becomes taxable income and must be included when figuring Defined Compensation for the Board of Pensions. However, when such payment is made directly to the Board of Pensions Optional Pension Plan or other tax-advantaged account, it can be excluded.*

***When a congregation sells a parsonage, it is recommended that the assets be retained to assist in financing pastor-owned housing.***

## II. BENEFITS

### A. Social Security Tax (Self-Employment Tax)

Providing for the retirement of a pastor is the responsibility of the congregation. Pastors are considered "self-employed" by the federal government. They must pay to the Social Security Administration 15.3% of their total annual cash salary and housing allowance OR the fair rental value of the parsonage. A **Social Security Allowance** shares the burden of this tax by providing what most employers provide - half of the Social Security tax. Congregations are encouraged to reimburse at least 50% (7.65%) of their pastor's Social Security tax liability. This allowance is taxable.

### B. ELCA Board of Pensions Plan

1. **Defined Compensation** – The ELCA Board of Pensions uses **Defined Compensation** to determine the amount of a congregation's required **Retirement/Pension Contribution** as well as the contribution for a pastor's **Health and Other Benefits**. **Defined Compensation** is comprised of the pastor's actual cash salary, a housing allowance, and the Social Security Allowance.

If housing is provided, the calculation requires that the congregation take a minimum of 30% of the combined total of pastor's annual cash salary plus Social Security Allowance, and add the value of the Social Security Allowance on the parsonage, and then add any furnishings and/or utility allowances paid directly to the pastor.

2. **Retirement/Pension Contribution** – The Northern Illinois Synod **strongly encourages** a minimum pension contribution of 12% for all pastors. Congregations may also choose to exceed the 12% level; if this is the case, the Board of Pensions must be advised. In addition, the ELCA Optional Pension Plan may be used by the pastor to defer tax liability on additional retirement funds, such as an equity allowance from the congregation, certificates of deposits, inheritance, etc. Prudent financial planning by the pastor is recommended, so that retirement needs are met.
3. **Health and Other Benefits** -- Each year the Board of Pensions sets the percentage a congregation should contribute for the pastor’s Health and Other Benefits. The percentage is based on the expected cost of the plan.

**The percentages for the 2009 Board of Pensions amounts follow :**

Rate class: 3 Northern Illinois Synod		Yearly minimum	Yearly maximum
Coverages	Rates <sup>1</sup>		
<b>Health benefits</b>			
	Member	13.00 %	\$6,048
	Member and spouse	22.70 %	\$10,584
	Member & children	22.70 %	\$10,584
	Member, spouse & children	32.40 %	\$15,108
<b>Disability</b>		2.00 %	
<b>Survivor</b>		0.00 % <sup>2</sup>	
<b>Retiree support</b>		0.70 % <sup>3</sup>	

**Notes:**

1. Rates are a percentage of defined compensation.
2. Survivor Benefits Plan contribution is suspended.
3. Retiree support contribution helps provide health coverage during retirement for members who served one of the ELCA predecessor church bodies.

\*\*Note that calculators for these computations for the Board of Pensions, along with other information, are available at their website: <http://www.elcabop.org/>

### **C. Other Benefits for the “Wellness” of Pastor & Congregation**

There are many other benefits to negotiate in the call process. Discussing the following items in advance can help pastors and congregations avoid conflict later in the call when it seems that the benefits are changing. A section on “Wellness” has been added to this category because of the importance of health to the life of a pastor and the congregation that she/he serves.

1. **Workweek** – Because of the “On Call” nature of ordained ministry, serious consideration needs to be given to pastor’s self-care. *It is recommended that pastors be encouraged to set aside 1.5 – 2.0 days a week for personal time.*
2. **Vacation** - The need for annual vacation is self-evident. *The congregation should provide four weeks per year (encompassing four Sundays) of vacation with full pay.* This does not include continuing education. Time spent on continuing education, churchwide or synodical committees, congregational retreats or congregational camping programs is not to be considered as vacation time or time off. The congregation is encouraged to consider the tenure of the pastor and his/her individual needs in setting vacation limits. Additional vacation weeks may be negotiated.
  - a. **Pulpit Supply** – The congregation is to assume responsibility for a substitute pastor during vacation time. The following fee structure is offered as a minimum reimbursement:
    - 1 service: \$150 plus mileage @ current IRS rate
    - Additional services on same date should be compensated @ \$25/service
    - Leading adult forums, teaching confirmation, etc. should be compensated @ \$50 each
    - These fees assume these tasks: lead worship, preach, and preside at Holy Communion.

3. **Wellness** – It is important that leaders in our church take care of their physical and spiritual health. Please use the resources found at <http://www.elcaforwellness.org> and the following guidelines recommended by the Northern Illinois Synod Spiritual Formation Sub-Committee and the Ministry Support Committee found at <http://www.nisynod.org/resources>
  - a. ***Spiritual Renewal*** – It is recommended that all rostered leaders under call be given three days to one week or more per year for spiritual renewal that is not classified as vacation or educational leave. It is suggested that the rostered leader spend this time at a retreat center or facility where s/he is able to fully focus on “renewal.” Therefore, the pastor should have a colleague cover emergencies during this time away.
  - b. ***Spiritual Guidance*** – It is recommended that all rostered leaders be encouraged to have a spiritual guide during their time of call. Resources for finding and selecting a Spiritual Guide can be found at <http://www.nisynod.org/resources>
4. **Parental Leave** - The church places a high value on family. These guidelines are offered to help congregations approach situations requiring parental leave in a caring manner.
  - a. ***Parental leave following the birth of a child*** - Six weeks of maternal leave should be available to mothers immediately following the birth of a child. For maternal leave, it is recommended that the congregation pay full salary and benefits. A two-week paid parental leave is recommended for a father immediately after the birth of a child. For paternal leave, at a minimum, full benefits should be maintained. Factors to be considered in determining salary and benefits during such a leave are vacation time available, housing costs, the pastor’s length of service with the congregation, and the hardship to the pastor or the congregation.
  - b. ***Parental leave following adoption*** - Guideline 4a. above applies to parents adopting children.
  - c. ***Parental leave granted at other times*** - Parental leave may be granted by the congregation at other times, such as during times of severe illness, trauma, or death of a child., The length of the leave and the salary and benefits that the congregation will provide the pastor should be mutually negotiated. It is recommended that the congregation, at a minimum, provide full benefits for the pastor during any parental leave granted.
  - d. ***Pulpit supply*** – During the leave period, a substitute pastor is to be paid by the congregation. See “Pulpit Supply” under II. C. 2. a.
5. **Temporary Disability**
  - a. ***Full compensation and benefits for the first 60 days*** – In the event of the temporary disability of a full time pastor, it is recommended that the congregation continue to pay the individual’s full compensation and benefits for the first 60 days of disability.
  - b. ***Providing compensation to supplement the ELCA disability plan*** – After the first 60 days of disability, the ELCA disability plan becomes effective and will pay 66 and 2/3% of *Monthly Defined Compensation*. Consideration should be given by the congregation to paying the remaining 33 and 1/3% of *Monthly Defined Compensation*.
  - c. ***Pulpit supply*** - The congregation is to assume responsibility for a substitute pastor during the term of disability. See “Pulpit Supply” under II. C. 2. a.
  - d. ***Other compensation*** - If a full time pastor, because of the disability, receives compensation from some source other than the ELCA disability plan, such as Workman’s Compensation, then the congregation and the recipient should negotiate compensation so that it shall not exceed the usual monthly compensation.

### III. REIMBURSABLE EXPENSES

Reimbursable expenses are not compensation to the pastor, but are business expenses of the congregation. Special care should be given to document these expenses. Pastors should file expense reports with their congregations (an IRS requirement).

*(In general, due to tax implications, it is usually better for a pastor to be reimbursed for the actual expense instead of receiving an allowance for an expense that may or may not be incurred. For suggestions for handling expenses, consult Minister's Guide for Income Tax by Conrad Teitell. This booklet is an excellent resource by nationally recognized clergy tax expert. It is available free from the Board of Pensions.)*

**A. Automobile** - Reimbursement of automobile expenses for congregational business can be handled in one of three ways. Regardless of the method chosen, the amount should be for a yearly basis.

1. **Reimbursement of miles driven** - Reimbursement for actual business miles driven at the IRS established rate. *(You can find this rate easily using an internet search engine.)* Be aware that in the past several years, the mileage rate changed during the year, so be informed!
2. **Payment of a lump sum** - The congregation may choose to pay the pastor a lump sum per year, prorated to a monthly basis. The pastor must maintain accurate records of actual business mileage and provide documentation to the IRS. Under this method, the lump sum, minus expenses, is taxable.
3. **Congregation purchases or leases a car** - Congregations may consider the purchase or lease of an automobile for use by the pastor. Often the cost to the congregation is no greater than a fair cents-per-mile reimbursement. Pastors will assume some IRS liability for non-business use of the vehicle. The congregation may also choose to have the pastor reimburse the congregation for personal use of the vehicle at a rate comparable with the above IRS standard.

**B. Continuing Education** - The 1997 Churchwide Assembly affirmed the importance of lifelong learning for healthy and effective leaders of the church. The pastor, in consultation with the congregation, is strongly encouraged to annually prepare and submit a continuing education covenant to the synod office. Such a covenant covers the following topics:

1. **Continuing education reimbursement** - The ELCA recommends \$1,500 per year as an appropriate amount to be spent for the continuing education of a pastor. The pastor is encouraged to provide 1/3 of this amount, with the congregation providing 2/3. Therefore, it is recommended that the congregation budget \$1,000 annually for the continuing education of its pastor.
2. **First Call Theological Education (FCTE)** - FCTE is a requirement of the ELCA for a pastor in his/her first three years of ministry. This program helps pastors make the transition from seminary to congregational ministry. This replaces the continuing education requirement for the first 3 years of the pastor's ministry. As above, it is recommended that the congregation budget \$1,000 annually for the continuing education of its pastor, with the pastor encouraged to pay 1/3 of this amount or \$500.
3. **Required time for continuing education** - A minimum of 50 contact hours per year of intentional continuing education is strongly encouraged. To meet this requirement, it is recommended that the congregation allow 14 days (including two Sundays) for continuing education. The congregation and the pastor should negotiate the way to handle congregational ministry during the pastor's absence.
4. **Resource reimbursement** - Congregations are also encouraged to provide reimbursement of books and resource materials up to \$700 per year.
5. **Sabbatical leave** - It is recommended that each congregation develop a sabbatical leave policy for their pastor. Sample guidelines and proposals are available on the NIS website at <http://www.nisynod.org/resources/>
  - a. **A sabbatical leave is encouraged after 6 years** - When a pastor has served longer than 6 years in a given congregation, the congregation is encouraged to grant sabbatical leave to permit participation in a longer program of continuing education. The pastor should be encouraged to take not less than two months sabbatical leave for every 6 years of service without reduction in salary.

Note that the ELCA and other church consultants argue that a sabbatical, especially when paired with congregational planning, should be done more frequently, perhaps every 3-5 years. These might be shorter but will still provide for acquiring new perspectives, as well as rejuvenation for the new ministries ahead.

- b. A sabbatical program should be planned* - Though a sabbatical is not exclusively for study and should include time for re-creation and rejuvenation, it is important that the pastor plan a detailed program for the time and present it to the congregation council for approval. The nature of the sabbatical is ultimately a matter of agreement between the pastor and the council. In addition, it is recommended that the approved program be submitted to the synod office.
- c. A sabbatical program should be funded early* – To spread the cost of a sabbatical over time, it is recommended that some sort of savings plan be established by both the congregation and the pastor. Without this foresight, it becomes a huge burden to leave when the time comes.
- d. Responsibility to remain* - A pastor is expected to remain with a congregation for at least one year, or an appropriate time agreed upon by the pastor and congregation, after completion of the sabbatical leave.

- 6. Pulpit Supply** – During all Continuing Education time away, a substitute pastor is to be secured and paid by the congregation. See “Pulpit Supply” under II. C. 2. a. For sabbatical leaves, compensation should be more than the standard supply preaching rate because of the interim pastor’s additional duties.

**C. Conference Expenses** - All pastors under call are required to attend meetings of the Synod Assembly and other meetings called by the bishop. Attendance of the pastor at the Synod Professional Leadership Conference is also normally a part of the business of the congregation. Expenses for attendance at these events should be budgeted and paid by the congregation, unless the expenses are reimbursed by the agency or group calling the meeting.

**D. Expenses of employment for a pastor’s accompanying spouse** – Congregations are encouraged to be sensitive to the employment needs of a relocating pastor’s accompanying spouse. Recognizing that two income families are now the norm, the congregation may choose to aid an accompanying spouse’s employment by negotiating payment of re-certification or re-licensing. The congregation may also aid the accompanying spouse in other non-monetary ways, such as offering to connect the spouse with local employment agencies or even potential employers.

**E. Other expenses** - Congregations are encouraged to reimburse the pastor for other expenses incurred if they are related to the ministry of the congregation.

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***Approved by the Northern Illinois Synod Ministry Support Committee***  
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***Approved by the Northern Illinois Synod Council***  
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## Appendix A – 2009 Pastor’s Base Salary Chart

		<u>base</u>		<u>base</u>	
starting -- yr	0	31,930.00		13	40,055.00
after yr	1	32,555.00		14	40,680.00
	2	33,180.00		15	41,305.00
	3	33,805.00		16	41,930.00
	4	34,430.00		17	42,555.00
	5	35,055.00		18	43,180.00
	6	35,680.00		19	43,805.00
	7	36,305.00		20	44,430.00
	8	36,930.00		21	45,055.00
	9	37,555.00		22	45,680.00
	10	38,180.00		23	46,305.00
	11	38,805.00		24	46,930.00
	12	39,430.00		25	47,555.00

## Appendix B – Tax Implications for Housing Allowance

### Difference between Housing Allowance in Guidelines and Housing Allowance for Taxes

When figuring housing allowance for these guidelines, this figure might be considered “hypothetical.” That is, it is a number that both the pastor and the congregation can agree on based on the given circumstances.

However, due to tax requirements and implications (as stated below), a pastor can ask for a “real” housing allowance number that reflects the pastor’s actual costs, as long as this meets the IRS requirements. If the pastor suggests a “real” housing allowance number greater than the “hypothetical” one calculated in the salary guidelines, the difference should be taken from the pastor’s total salary. This way, the figure has no effect on the pastor’s total compensation in the congregation’s annual budget or defined compensation figures for the Board of Pensions. Congregations may want to merge the “salary” and “housing allowance” line items in the budget to reflect this computation.

Here are the tax requirements: (from the Board of Pensions website):

*The clergy housing allowance exclusion allows pastors to exclude a portion of their income from taxes if it can be justified to the IRS as housing expenses. The amount that can be excluded from taxable income as housing allowance is always the smallest of the following:*

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

### Justification and Documentation of Housing Allowance

It should also be noted that it is the pastor’s responsibility, and not the congregation’s, for justifying a “real” housing allowance. This justification is between the pastor and the IRS; not concerned members of the congregation. As such, when the pastor asks for a resolution from the congregational council to satisfy IRS requirements for the documentation of housing allowance, it should be accepted without discussion. This resolution is usually made at the December council meeting for the following year. To review, it is the pastor’s responsibility to justify the allowance, it is the congregation’s responsibility to document it. In fact, this rule is true for all allowances, whether for a rostered or lay leader.

Here are the tax requirements: (from the Board of Pensions website):

*Reporting housing allowance – You (the employer) must officially designate a certain portion of the pastor's income in writing (e.g., a council resolution, meeting minutes or budget line item) as housing allowance, prior to payment being made. You will need to provide this information to your pastor whether or not you provide housing. You must report housing allowance separate from gross income on IRS Form W-2 in Box 14. Label the income as housing allowance.*

**\*\*NOTE:** This requirement states that a housing allowance must be designated before it is paid. Therefore, if the pastor knows of a previously unforeseen expense during the year, an addendum to the previous housing allowance for such expense might be made, as long as it is documented before the expense is incurred.

### Additional Resources

A detailed discussion of the tax implications of housing allowance for clergy is beyond the scope of this document. However, the ELCA Board of Pensions provides excellent resources on its website (<http://www.elcabop.org>) to inform the pastor on the specific implications. In addition, the following resources are recommended:

- *Minister's Guide for Income Tax* by Conrad Teitell (sent yearly and available from the Board of Pensions)
- *IRS Publication 517: Social Security and Other Information for Members of the Clergy and Religious Workers* (On the IRS web site at <http://www.irs.gov/>)

It is highly advisable that the pastor, as well as the congregational treasurer become familiar with these resources. It might also be in the best interest of the pastor to be in consultation with a tax professional familiar with clergy compensation.