

**WEST VIRGINIA - WESTERN MARYLAND SYNOD
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**PASTORAL COMPENSATION / EXPENSES / BENEFITS
PACKAGE EXPECTATIONS FOR 2012**

The "normal" pastoral compensation / expenses / benefits package, as contained in most congregational budgets, usually looks something like this:

DEFINED

- COMPENSATION:** (1) Base Salary _____
 (2) Housing Allowance, utilities, furnishing allowance _____
 (3) Educational Debt Reduction _____
 (4) Social Security Allowance _____

- EXPENSES:** (5) Automobile Allowance _____
 (6) Continuing Education Allowance _____
 (7) Publication & Media Resources _____
 (8) Official Meetings _____

- BENEFITS:** (9) Pension & Other Benefits _____
 (10) Additional Benefits _____
 (E.g. Optional Pension, annuity, additional life insurance)

- (1) **The Synod Council expects** that, for 2012, the congregation will increase the pastor's defined compensation by 2% but not less than \$1200. This will provide a cost-of-living increase.

Consider also the years of service the pastor has given to the congregation. (see page 3 for years of service)

Merit increases may also be considered. Resources for evaluation for both pastor and congregation are available and can be recommended by the Committee for Pastoral Support.

- (2) **The Synod Council expects** that the congregation will provide a Social Security Tax allowance for the pastor. Social Security Tax is based upon the addition of the Base Salary plus the Housing Allowance and/or Home Furnishings Allowance. This figure is multiplied by .082837 (8.2837%) to achieve a fair Social Security allowance. **For Social Security purposes, a pastor is considered to be self-employed and must pay that tax at the self-employed rate which is 15.3%. Frequently, that takes a giant bite out of the pastor's salary.**
- (3) Educational debt reduction allowance could be considered in the amount of \$1,000 a year (if applicable). Please note: If a congregation establishes this allowance, it is considered as taxable income by the IRS.

- (4) People readily understand the term "Housing Allowance." That is money a congregation provides (instead of a parsonage) in order that the pastor may purchase or rent and maintain housing. THE HOUSING ALLOWANCE NEEDS TO BE REVIEWED ANNUALLY. IS IT ADEQUATE? HAVE RENTAL PROPERTY VALUES AND INTEREST RATES INCREASED? HAVE UTILITIES AND TAXES GONE UP IN YOUR AREA? That has to be considered when dealing with a housing allowance for **2012**. As long as **the housing allowance** is used for its intended purpose, it does not count as federal taxable income. We recommend pastors living in a parsonage have part of their income designated as a "Furnishings Allowance." As long as that money is spent for its intended purpose -- and the pastor must be prepared to document this -- it is not counted as taxable income, it is for a pastor living in a parsonage. **Please note that pastors are assessed a fair rental value of the parsonage and will, pay Social Security tax on this value as well as the furniture allowance.**
- (5) For a pastor living in a parsonage, a congregation might consider providing, also, an equity allowance.
- (6) **The Synod Council expects** that the congregation will review the automobile allowance provided the pastor. The cost of gasoline continues to fluctuate. It is important to consider this in calculating the auto allowance. Pastors are encouraged to consider being reimbursed for miles driven. **The synod will monitor the IRS rate; congregations are encouraged to do that as well.** THE CONGREGATION NEEDS TO ASK: IS THE AUTOMOBILE ALLOWANCE BEING PROVIDED REALLY ADEQUATE? AS INDICATED ON THE FIRST PAGE, AN AUTOMOBILE ALLOWANCE IS NOT INCOME FOR THE PASTOR; IT MUST BE CONSIDERED PROPERLY AS A "**BUSINESS EXPENSE**" OF THE CONGREGATION. It is also possible that a congregation might consider **leasing** a vehicle for the use of its pastor.
- (7) **The Synod Council expects** that the congregation will provide at least \$800 and 14 days for continuing education purposes. It is the expectation of the ELCA that pastors receive a minimum of 50 hours of continuing education each year. The 2001 Synod Assembly adopted a Sabbatical Policy for all Rostered persons. The expectation is that all congregations will adopt a Sabbatical Policy using the synod policy as a guideline.
- Pastors in their first call are required to attend an annual retreat known as First Call Theological Education, which occurs in each of the first three years. The \$175 fee is the responsibility of the congregation; it is matched by the synod for every first call pastor. It is our expectation that this will be provided in addition to the \$800 recommended education allowance.
- (8) **The Synod Council expects** that the congregation will grant four weeks, including four Sundays, vacation. **Congregations should consider giving one additional week of vacation for each 10 years of rostered service.**
- (9) **The Synod Council expects** that the contribution rate for the ELCA pension plan will be at the rate of 12%. **Because this number is different than the default rate of the ELCA, be certain that your pension rate is at 12%.** When a change of salary occurs,

be certain that the correct percent is noted on the change of salary report form. (Item 1, page 2) If you have any questions, you may call the Board of Pensions at 1-800-352-2876, **or the synod office at 304-363-4030.**

- (10) **The Synod Council expects** that each congregation will provide a mutual ministry support committee. There is a book available from Augsburg Fortress entitled **Pastor and People: Making Mutual Ministry Work** for guidance. Supporting study/worksheets can be downloaded at: www.augsburgfortress.org/cls/index.asp?PageID-1767

At its meeting of April 16, 2011, the Synod Council approved a **minimum and entry-level salary and benefits package for 2012**. It appears on page five. You will want to review it carefully. **Remember:** this is the compensation/expenses/benefits package that will be offered in our synod next year to those newly ordained and beginning ministry in their first call. If your pastor's compensation and expenses and benefits package are below this, **you will want to do some serious readjusting.**

On behalf of the pastors and associates in ministry of our synod, all faithful servants, **the Synod Council expresses its appreciation** to those congregations who have been taking the council's recommendations seriously each year and who have sought to implement them.

The following item reflects the fact that 16 reports were received.

For 2011, of 30 reporting, 19 of our pastors received increases in base salary; \$3,800.00 is the high and \$510.00 being the low, 1 decreased by \$2,517.00 due to congregational financial issues. The average increase was \$1,492.00.

The Social Security Allowance increased for 15 pastors with a low of \$46.00 and a high of \$700.00. There were two who had decreases of \$189.00 and \$370.00. The average increase was \$184.00.

Auto allowance

The auto allowance varied with each congregation. Check the IRS rate.

Continuing Education – The norm is to be 14 days of continuing education.

Housing Allowance Increases - Only three pastors reported a housing allowance increase for 2010.

Pensions – 19 reported that their pension contribution is at 12%; 1 reported 15%; 1 reported a rate of 10%. The synod norm is now 12%. Because this rate is not the default rate of the ELCA, be sure to verify your pension percentage.

Where vacations are concerned - The norm is four weeks of vacation and four Sundays. 24 received 4 weeks and 4 Sundays; 1 received 4 weeks and one half weeks and 4 Sundays; 4 received 5 weeks and 5 Sundays; 1 received 4 weeks and 5 Sundays.

Years of Experience - Congregations often ask if they are paying their pastor fairly for the number of years he or she has been in the ministry. The Synod Council recommends that for pastors with years of experience, \$400 per year should be added to the **minimum** base salary to determine the appropriate base salary.

For example: A pastor that has 20 years in the ministry - $\$400 \times 20 = \$8,000$
Synod **Minimum** Base Salary = \$29,000

Pastor should receive base salary of = \$37,000

A pastor that has 10 years in the ministry - $\$400 \times 10 = \$4,000$
Synod **Minimum** Base Salary = \$29,000

Pastor should receive base salary of = \$33,000

The pension and health benefits, Social Security allowance, housing allowance, car allowance and continuing education are in addition to the base salary.

**EXPECTED MINIMUM COMPENSATION / EXPENSES / BENEFITS PACKAGE
FOR 2012 FOR FIRST YEAR OF ORDAINED MINISTRY**

COMPENSATION

Base Salary		\$29,000
Years of service following ordination x \$400		_____
Minimum Housing Allowance	(If no parsonage is provided)	<u>\$10,000</u>
	Subtotal	<u>\$39,000</u>
Social Security Tax Allowance (multiply Subtotal by .082837)		<u>\$ 3,231</u>
Total Defined Compensation		<u>\$42,231</u>

EXPENSES

Automobile Allowance	\$ 4,400
Continuing Education Allowance	\$ 800

BENEFITS

Pensions and Health Plan Benefits

The benefit programs from the Board of Pensions will vary in nearly every situation.

Please consult the calculations page from the Board of Pensions Web site (www.elcabop.org)

4 weeks' vacation

2 weeks continuing education (excluding Sundays)

This Expected Pastoral Compensation / Expenses / Benefits Package for **2012** and
The Minimum Compensation / Expenses / Benefits Package for **2012** were approved by
the Committee for Pastoral Support on April 2, 2011.
It was approved by the Synod Council on April 16, 2011.

QUESTIONS OFTEN ASKED

Who should decide the pastor's salary?

In most congregations, the final recommendation to the congregation regarding the salary for the pastor will be made by the church council. Resource material for this decision should include the synod expectations; a local survey of pastors' salaries in the surrounding area and any data you can find on merit increases currently being given in local industry.

Please keep in mind that in calculating base salary for the pastor, you should not include any housing allowance.

How do we use the synod expectations?

The first thing to recognize is that the expectations are designed to indicate minimum salary. Such things as average worship attendance, years since ordination, cost of living in your area, the knowledge and skill needed by the pastor, and the current salary of an incoming pastor should all be factored in to decide where your pastor should start. Once you have decided where the starting point should be, your plan each year should take the percent increase in the minimum expectations, add that to the pastor's salary and then add on any additional merit increase you feel is warranted. **These expectations only give you a starting point.**

If we cannot afford to pay at the current expectations, what should we do?

First of all, recognize that paying your pastor below the synod expectations often results in friction between the pastor and the council. Turnover may result, and you will be faced with difficulty in replacing your pastor. The best advice is to lay out a two to three year plan and work toward bringing your pastor's salary in line with synod expectations. Sharing this plan with the pastor will create an open environment based on trust and understanding; then, follow through with your commitment.

How do we get feedback from the pastor regarding his/her compensation?

The first thing to do is to build an atmosphere of trust and openness. We suggest that you form a mutual ministry committee, which includes the pastor. The purpose of this group is to look at all issues such as working with the congregation, spiritual needs of the pastor, physical needs and family needs. The mutual ministry committee can be the advocate for the pastor and provide recommendations to the council. However, it is assumed that matters discussed with the pastor remain with the committee, and confidences must not be violated.

We have members in our congregation who believe that the total package is too high. How do we explain a total package in a way that makes sense?

You need to distinguish between cost to the congregation and what the pastor receives. A large part of the cost to the church comes in the form of pension, medical benefits and travel expenses. For those of you who worked in industry, you probably received these same items, but never considered them part of your compensation. These are expenses to the congregation much like the expense a corporation has for the work of an employee. Therefore, it is not fair to consider them part of the pastor's salary. Base pay plus housing constitutes the bulk of what your pastor actually receives.

How do we reward the pastor for holidays worked or days off, missed, or interrupted by congregational emergencies?

- 1) Insist that your pastor take days off to compensate for the lost time. Make sure the congregation respects this time off. Pastors need time away to refresh themselves, and we need to respect that. Inform your congregation of the pastor's personal time and ask them to respect this need for time away.
- 2) Insist that your pastor take a sabbatical leave on a regular basis.
- 3) An alternative not preferred or to be encouraged, is to consider pay in lieu of vacation days.

In case of an illness longer than 20 days, but not catastrophic, what should we do?

Every case needs to be reviewed on its own merits. Your church council should be the final judge of what is right. They know the pastor best and the effort he or she extends on behalf of the congregation. Make a decision based on what is fair and appropriate for the circumstances and for everyone involved. Nothing can substitute for good judgment.

Do clergy expectations apply to Associate Pastors?

The basic intent of the expectations would stay the same, but the specifics need to be modified or factored to reflect the differing roles each staff member has in the church.