**NORTHWEST WASHINGTON SYNOD**

**2021 CONGREGATION**

**COMPENSATION POLICY
GUIDELINES**

**For Rostered Leaders:**

**CLERGY AND DEACONS**

*Approved by Northwest Washington Synod Personnel Committee*

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**NORTHWEST WASHINGTON SYNOD**

2021 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. Each congregation should assure that budget priority is also given to maintaining 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 analysis 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 leaders as part of the evaluation of the strengths and weaknesses of the overall parish ministry.

**These compensation guidelines apply to all rostered professional leaders which include lead pastors, co-pastors, assistant and associate pastors, deacons and interim pastors under call.** 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. It is also important to discuss what might be a just and fair salary. This can be based on salaries of those in the community with comparable education, experience, and responsibilities. That is the basis of the **“recommended base salary”** (column 4 for ordained pastors) on the [compensation guideline chart](https://churchos-uploads.s3.amazonaws.com/2021/01/12/14/15/53/6b5ba4fb-1ec2-4025-81e1-04ec9fb8b1d5/2021_comp_guidelines.pdf).

For many first call professionals, the debt service on their university and seminary education loans is too great to allow them to take a call from a congregation that cannot offer competitive compensation. As pastors progress through their call, a pattern of low compensation also results in a pension income in retirement which may not be a livable income.

Fairness to the professional leader should be balanced with the congregation’s financial resources and other spending needs. When that situation exists, the list of the plans for the next year should start with the plan for increased outreach and focus on stewardship among our members.

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.

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. A rostered leader who feels that the congregational leadership is not fairly compensating them and/or will not discuss the subject openly with the rostered leader may request that a professional mediator work with both sides to help to resolve the disagreement.

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 are one way to set that example.

**Salary Components**

1. **Base Salary**

The congregation must provide a salary for their rostered professional leaders. For those professional leaders who are ordained clergy, that “base salary” is split into wages and a 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. Compensation Chart Information**

In the [Compensation Guidelines chart](https://churchos-uploads.s3.amazonaws.com/2021/01/12/14/15/53/6b5ba4fb-1ec2-4025-81e1-04ec9fb8b1d5/2021_comp_guidelines.pdf), available on the Synod website, are 5 columns of recommended salaries.

Column 1 is the base salary for deacons with a Bachelor’s degree. Column 2 is the base salary for deacons who have a Master’s degree. Column 3 is base salary for deacons with 2 Master’s degrees or a Master of Divinity (MDiv).

Columns 4 and 5 are for ordained pastors with a Master’s of Divinity degree. Column 4 is titled Recommended Base Salary. Column 5 is the recommended salary, plus congregation payment of 7.65 percent Social Security tax. Under federal law, pastors are considered self-employed, and thus responsible for the whole 15.3 percent social security tax. However, our guidelines recommend that churches accept responsibility for half (7.65 percent) of pastors’ social security payment, just as for non-ordained employees. The pastor is then responsible for income tax on the church’s share of social security payment.

We encourage each congregation’s Personnel Committee, in partnership with their professional leader, to work through the [Deacon Compensation Worksheet](https://churchos-uploads.s3.amazonaws.com/2021/01/14/13/18/49/a9d06aca-6d7e-43c4-9a3b-1dde6c49a95f/2021_deacon_compensation_worksheet.pdf) or the [Pastor Compensation Worksheet](file:///C%3A%5CUsers%5CSusanBerg%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5CPNZ5VX4Y%5C2021_pastor_compensation_worksheet.pdf), available on the Synod website, to arrive at parity amounts for each individual position based on the education and scope of responsibility required for the position.

Our Synod includes urban and suburban cities, small towns and rural areas. Our congregations range from working class to upper middle class to wealthy. Given the range of economic contexts, one compensation guideline number, reflecting years of service, will not be appropriate for all settings. The Compensation Worksheet is one way to guide the work of determining a fair and just salary.

For another, local perspective, school districts make teacher compensation guidelines publicly available. While teaching responsibilities and church responsibilities are not strictly parallel, the education and preparation that teachers and church leaders bring to their positions do often compare. In this Synod’s experience, teacher and church leader salaries are often comparable. **C. Tax-Related Issues (Housing Allowance & SECA rules)**

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; funds in the annuity are not available until retirement. Contact the Portico Benefits Services (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.

Deacons are not 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 Portico Benefits Systems 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 Portico Benefits Systems has deemed it to be part of income when computing pension plan contributions.

**D. 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 [Portico](https://employerlink.porticobenefits.org/NewsEvents/News/2014_8_3_PorticoAdjustsRatesToMeetCommunityNeeds.aspx). The NWWA Synod recommends that rostered leaders’ healthcare contribution be at the Gold Plus level of the Portico offerings unless a careful analysis by the rostered leader determines that another plan would be better suited to their needs and the needs of any covered family members.

Participants in the ELCA Pension Plan normally participate in the medical and dental coverage, disability coverage, and survivors 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 base salary. A congregational contribution of 10% of defined salary to pension is the minimum required for all rostered leaders, ordained and lay. For non-rostered lay employees enrolled in Portico benefits, the minimum is 6%. Note: The congregation may contribute amounts in excess of the prescribed contribution to the pension fund on behalf of the professional leader.

*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 Portico Benefit Services, 800 Marquette Avenue, Suite 1050, Minneapolis, MN 55402; (800) 352-2876; <http://porticobenefits.org> . You can email questions to mail@porticobenefits.org.

**E. Congregational Staff Unemployment Insurance**

The Synod Personnel Committee recommends that congregations in the NWW Synod adopt a policy of paying unemployment insurance and workers compensation for all eligible staff. If the congregation does not cover Unemployment Insurance for employees, it is appropriate and just for the congregation to pay severance for staff separated involuntarily for reasons other than cause.

**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 non-accountable 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.

1. **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 may 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.

1. **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.

1. **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.

1. **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.

**G. Creative Options & Part-Time Compensation**

All congregations are encouraged to faithfully meet the Synod guidelines. We realize that some congregations may have greater difficulty doing this than others, particularly when circumstances beyond a congregation's control arise which make it difficult to keep pace with the year-to-year incremental salary increases prescribed in these guidelines.

It is important to work openly and jointly with rostered leaders and other staff to develop alternatives; changes in compensation must be mutually agreed upon. Remember that the objective is to provide sufficient compensation for a minister to fully engage their ministry while still providing their family’s livelihood. This is important even during times when full incremental cash salary increases may not seem feasible. We recommend that you consider ways to creatively “think outside of the box” relative to compensation choices that benefit both the church staff person and the congregation.

 **More Vacation Time**To determine the value of one week of vacation time, divide the Guidelines compensation by 52.

**Increased Retirement Contributions**

These contributions actually save the church and rostered leader money because (1) the sum of the contributions is not considered part of "Defined Compensation" and therefore does not figure into the cost of health insurance under the ELCA plan, and (2) the contributions are fully exempt from state and federal income tax and Social Security tax (SECA).

**Deferred Compensation Plan**

Contribution to a tax-deferred annuity plan could help build additional retirement income for a church professional. An attorney or tax advisor must be consulted in drawing up such agreements.

**Potential Negative Effects on Retirement Income**

The above strategies have a net effect of cutting congregations' total compensation costs by substituting different forms of compensation in place of straight "cash salaries." Several of these strategies also have a net effect of increasing after-tax income by reducing the amounts that are subject to state and federal income taxation and Social Security taxation (SECA).

Be aware, however, the above techniques also reduce the required amount that must be paid by the congregation to Portico. This includes the retirement portion of those payments, which can have an effect on the rostered leader’s ability to save enough for retirement in his or her ELCA Retirement Plan account. To minimize this negative outcome, a congregation that utilizes non-cash strategies to augment the rostered leader’s salary may make additional contributions on the rostered leader’s behalf to their ELCA Retirement Plan account with Portico. *We strongly urge that congregations using any of these strategies restore the retirement portion of payments made to Portico to the full amount based on guidelines figures regardless of the actual "Defined Compensation."* This prevents a potentially dramatic reduction in the future retirement income of a church professional who has helped his or her congregation reduce current expenses.

With respect to disability benefits, church professionals will have to assess the risk for themselves. ELCA disability benefits provided by Portico are based on a percentage of "Defined Compensation" at the time of disability.

**Part time Ministry (also called Shared-Time Ministry or Bi-vocational Ministry)**

***As long as all parties agree to such an arrangement***, part-time ministry may allow congregations to meet salary guidelines while still maintaining a tight budget. For example, perhaps a congregation desires a full-time rostered leader for a call, and yet is only able to come up with a package that corresponds to 75% of the recommended guidelines. In this case, the congregation could offer a ¾-time call rather than a full-time call, and comply with the synod guidelines by paying ¾ of the recommended full-time guidelines. The same could be done for a half time position or any other position with a percentage less than full-time. In general, the ELCA restricts calls to half time or greater. (Please contact the synod office if a call less than half time is being considered.)

This arrangement anticipates that the time and workload would be reduced proportionally to the reduction in compensation. For example, offering a ¾-time position and then expecting full-time work would be a dishonest arrangement and an injustice to the rostered leader. In arrangements such as these where the congregation is supportive of the reduced workload and increased time away, the rostered leader needs to maintain healthy boundaries and *not* work themselves into a full-time work-load.

To provide clarity of role and expectations for both rostered leader and congregation, it is important that the two parties work together to create a written plan before implementing the change. The changes in responsibility (both for rostered leader and congregation) should be spelled out in enough detail that both leader and congregation will understand and feel well supported. The ELCA’s Definition of Compensation, Benefits, and Responsibilities form should also be sent to the synod office to document when a change from full-time to part-time is made.

In co-creating this document, there are some questions that should be addressed.

1. How will pastoral emergencies be covered? This is a significant issue if the rostered leader takes on other employment. Will congregational members take on this responsibility?
2. How many Sundays a month is the part-time rostered leader to cover? (ie 3 out of 4 for a ¾ time call?)
3. How can the time away be coordinated so that rostered leader could arrange other employment if necessary? How much flexibility can the congregation provide?
4. What aspects of the rostered leader’s work can either be turned over to the congregation or let go? (note that the constitution lists some tasks required of the pastor)

Based on the gifts of both congregational members and rostered leader, could the congregation:

* provide for the routine administrative tasks of the congregation?
* provide for leadership of various ministries currently led by rostered leader?
* share in visitation of and connection with prospective new members?
* sharein providing pastoral care to each other as members of the congregation?
1. How will the congregation address particularly busy times (like Holy Week or multiple funerals)? Will the rostered leader be able to take compensatory time off when workload of necessity exceeds compensated time?
2. How will these changes impact the mission and future of this congregation? Does the congregation have a plan for either growth or eventual closure, and will this staffing model achieve the goal? If not, please consider the foregoing details and suggestions for alternative compensation mechanisms which might avoid the part-time discussion.

 As the agreement is written and mutually agreed upon, salary should be prorated relative to the Synod’s recommended guidelines at a minimum. Time away would also be reduced; for example, a part-time rostered leader working three days per week would still receive four of their regular (part-time) work weeks off.

If it is not possible to come to mutual agreement on a plan, the next step would include bringing in a mediator to facilitate a discussion based on these recommendations.

**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 minimum 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.

1. **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.

1. **Sick Days**The congregation should create a written policy regarding sick leave that is consistent with the letter of call and *coordinated with Portico pension and benefit guidelines*. Policy should specify how many days of sick leave are granted each year, when it accrues (i.e., monthly or every 6 months), whether unused sick leave is cumulative year-to-year, and whether the employee will be paid for unused sick leave when the call terminates.

Sick days may be used to care for a sick dependent child or other relative under certain circumstances.

1. **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.

1. **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.

1. **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.

1. **Health and Wellness**

Since Portico Benefits Systems has called to our attention the generally poor health of our professional leaders, 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 important to go beyond simply having a physical exam. Healthy eating, 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 professional meditation classes, working with a nutritionist, a therapist or Spiritual Director, a personal coach, a personal trainer, and/or personal silent retreats.

1. **Malpractice Insurance**

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.

1. **Additional Benefits**

The congregation may consider: 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 & Visitation Ministers**

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.
Recommended rates for:

Preaching and presiding at one worship service, $250, for two services $375.
Presiding, but not preaching, $125.
Teaching a class, $100.
Hourly rate for visitation ministers is $45 per hour, with preparation, travel time and taxes to be taken into consideration.

**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.