



# Guidelines for Rostered Minister Compensation for the Year 2018

## Special points of interest:

- Recommendation for at least 3% increase in base salary
- Sabbatical Policy Recommendation
- Remember these are minimum guidelines

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The 2018 Rostered Minister Compensation Guidelines provide explanations and presents aids for determining the various parts of the Rostered Ministers' compensation in a progressive manner. The components of the Pastors' Benefits will be presented as follows:

- Base Salary (not including housing or professional expenses)
- Parsonage or Housing Allowance
- Supplemental Benefits
- Professional Expenses

The components of the Deacons' Benefits will be presented as follows:

- Base Salary (not including housing or professional expenses)
- Supplemental Benefits
- Professional Expenses

There are different standards of living in the communities which compose the Arkansas-Oklahoma Synod. Guidelines which seem low and inadequate to some may be a significant challenge for others.

The Base Salary for a pastor or deacon should compare to others in the community of similar responsibility, training, and activity. It is recommended that in the Arkansas-Oklahoma Synod a Rostered Minister not be paid less than

**\$ 37143 for 2018**

These guidelines and suggested compensation levels for 2018 were reviewed and approved by the Arkansas-Oklahoma Synod Council August 18, 2017.

Please regard these as minimum guidelines.

Congregations are encouraged to exceed the guidelines in compensating their pastors.

## COMPENSATION

### Clergy Compensation

#### ***Pulpit Supply:***

**One** worship service: \$125 Plus travel reimbursement (meals, lodging, mileage)

**Two** worship services: \$150 Plus travel reimbursement (meals, lodging, mileage)

**Three** worship services: \$175 Plus travel reimbursement (meals, lodging, mileage)

## **Rostered Minister Compensation:**

Entry level salary range of **\$37143 – 39879 (plus housing for pastors)**. No rostered minister should be below the entry level salary range. See Appendix A for more comprehensive guidelines.

## **Compensation Guidelines for Ministers of Word and Service (Deacons)**

The guidelines for Ministers of Word and Service (deacons) are the same as the guidelines for pastors. The same careful and just consideration should be given to ministers of word and service regarding salary, benefits, and reimbursements. However, it should be noted that the ELCA does not recognize ministers of word and service as eligible for housing allowances per IRS regulations nor are they considered self-employed and therefore a FICA allowance would not be applicable.

## **Five Things to Remember About Clergy Housing Allowances**

Clergy know that they are entitled to a housing allowance for the costs of maintaining a residence. This allowance is not included as taxable income on pastors' W-2s. However, there are rules for determining, documenting and reporting a housing allowance that need to be followed.

1. Clergy need to determine the cost of maintaining **one** residence for the upcoming calendar year, or for the remainder of the year if a call commences during a year. The housing allowance amount is the **lesser of**:
  - a. Amounts actually paid for housing and related expenses.
  - b. The fair rental value of the home.
  - c. The amount actually paid or declared by the congregation as the housing allowance.
2. The clergy housing allowance amount must be requested in writing and approved by official action by the employer. In a congregation, the housing allowance is generally approved by the congregation council or the finance committee. A record of the action to approve should be in writing.
3. The housing allowance is not subject to federal income tax, but it is subject to self-employment tax. On the W-2, it is not reported in Box 1. It is typically reported as an information item in Box 14.
4. A housing allowance operates prospectively; in other words, it is declared ahead of when the expenditures are made. It can be modified if significant expenses not anticipated earlier are identified, but the allowance must always be changed ahead of the expenditures.
5. Clergy need to maintain records of their costs, including receipts, in order to document the housing expenses in the event of an IRS audit.

Clergy should consult with an experienced tax preparer as needed to resolve any questions pertaining to their individual housing allowance.

For more information on this topic, visit the [Portico Web site](http://www.porticobenefits.org). [www.porticobenefits.org](http://www.porticobenefits.org)

### ***Housing: Equity Allowance***

Pastors living in church-owned parsonages experience a significant disadvantage in that they do not acquire any equity in a home. Some congregations have provided their pastors with a “equity allowance”. This is over and above their stated compensation and is designed to partially or wholly compensate the pastor for this disadvantage.

The purpose of this allowance is to assist pastors in obtaining suitable housing at retirement. It should not be available to pastors until retirement.

Churches can do this by depositing the annual equity allowance in a tax-favored retirement program that is not accessible to the pastor. This limits the tax burden on the pastor and ensures that the funds are not available until retirement. *Social Security Allowance*

Regardless of whether the congregation pays the minister as an “employee” in IRS terms, Social Security always considers an ORDAINED minister “self-employed.” That means the congregation does not and cannot pay FICA. It also means that the minister must pay self-employment SECA (15.3%). It is recommended that the congregation provide to the minister a 7.65% allowance in lieu of paying Social Security. The minister uses this money in paying this self-employment tax. Salary, housing (allowance or parsonage) and this SS allowance are used in determining SECA tax.

### ***Expenses***

It is recommended that the congregation pay or reimburse the expenses of the Rostered Ministers for all activities required by the congregation including Synod Assembly and Synod Rostered Minister’s-Conference.

Rostered Ministers may receive reimbursement for professional expenses (including automobile use) but this is a matter of reimbursement, not compensation. Professional expenses therefore belong under “administrative” or “operating” expenses in the budget and not under “staff salaries.”

The IRS recommends that ministers be placed on an Expense Reimbursement plan in which business related expenses are paid to the minister upon submission of an invoice or signed and itemized business expense form. This is in contrast to a system in which the minister is given a flat monthly allowance for expenses (which is reported as income) and then deducts business related expenses.

### ***Automobile Expenses***

Use of the minister’s automobile for business activity is a congregational expense and should properly be listed under congregational administrative expenses in the budget rather than under compensation. Reimbursement to the minister on a per-mile basis using an Expense Reimbursement plan is recommended. Check with your IRS Office for the 2018 rate (it is usually set in January).

### ***Continuing Education***

Continuing education is essential for the Rostered Ministers to bring fresh insights and resources to the congregation and for professional growth. Continuing education is a means by which the congregation’s leader(s) builds upon and extends knowledge, acquires new skills and grows into more effective ministry. The minimum recommended level for continuing education allowance is \$700 per year from the congregation and \$250 per year by the pastor, as well as 2 weeks of time.

These Continuing Education funds and time may accumulate for 3 years to be used for an

extended Continuing Education event by the Rostered Ministers with the congregation's consent. Continuing Education goals should be determined in a consultation arising out of the work of the Staff Support Committee (Mutual Ministry).

### ***Vacation***

Because of the intense and emotional nature of the work done by a minister, it is recognized as important that a vacation policy be established providing at least 4 weeks, including 4 Sundays. This is not considered a reward, but recognition that a person needs renewal to be most effective in ministry.

### ***Sabbatical***

It is recommended that congregations develop and approve a policy which will allow Rostered Ministers to have a 3 month or longer sabbatical after at least 4 years or no longer than 6 years of service in a congregation. The purpose of a sabbatical is for rest, renewal, and a time of extended study for personal and professional growth. It is recommended that congregations continue the Rostered Minister's compensation and benefits during the sabbatical and provide for the services of a supply pastor.

Congregations and Rostered Ministers seeking assistance in developing a sabbatical policy may contact the Office of the Bishop.

### ***Other Professional Expenses***

Official Meetings; Moving Expenses; Pension; Sick Leave; and Family Leave.

## ***FACTORS TO CONSIDER WHEN DETERMINING COMPENSATION***

The following additional factors ought to be considered when determining your Rostered Minister's total compensation package:

**Cost of living:** this figure is based upon an estimated cost of living increase calculated at 2%. It is recommended that individual Rostered Minister's salaries include an inflation/cost of living increase over past year's salary plus a percentage merit. Take the percentage times present salary.

**Experience:** Years in the Rostered ministry, or even as a layperson in secular work (which enhances ministry skills).

**Special Skills, training and abilities:** Continuing education and training workshops may have provided your pastor with special skills which ought to be recognized, e.g., youth ministry, counseling licenses, musical abilities.

**Responsibilities:** Size of congregation and the ratio of staff to total membership, supervision of program staff are all factors to consider.

**Merit:** Awards should be based upon an annual ministry review process agreed upon in advance by all parties. It is strongly recommended that congregations utilize a ministry review process in determining compensation.

**Context:** How does your pastor's compensation package compare to other professionals in the community, such as school principals?

**Guidelines:** Is your pastor's compensation in line with the suggested synod guidelines?

Remember: These are minimum guidelines——congregations are encouraged to exceed these guidelines in compensating their pastors.

## RESOURCES FOR MINISTRY REVIEW

It is recommended that there be an annual ministry review. This review needs to include a review of the congregation's involvement and commitment to the ministry of the congregation, as well as a review of the Rostered Minister(s)'s involvement and commitment to the ministry of the congregation.

It is the practice of some congregations to use evaluation as a tool only after conflict arises between the pastor and congregation. A Mutual Ministry Committee is recommended in the ELCA Model Constitution for Congregations.

This Committee emphasizes that "mutual ministry is the equipping and supporting of all baptized members (earthen vessels) so they can, in turn, carry the gospel into the world and into the church." (The Rev. Geo. Keck).

### **Benefits**

Full participation in the ELCA pension and benefit plans is expected for pastors and other rostered leaders. The cost is determined as a percentage of "Defined Compensation" (base salary, plus housing or furnishings allowance, plus Social Security allowance). The pension contribution is a minimum of 10% of Defined Compensation. The premium for the medical plan varies according to a schedule available from the Portico Benefit Services. A rate calculator is available at

<https://employerlink.porticobenefits.org/home/resources/calculators.aspx>

Congregations should choose the level of health benefits coverage in addition to determining the premium for the family situation of the pastor by using the calculators. The Arkansas-Oklahoma Synod Council recommends the Gold+ level for health benefits.

Appendix A: 2018 Guidelines for Rostered Minister’s Compensation – Arkansas-Oklahoma Synod, ELCA

**SUGGESTIONS FOR BASE SALARY ONLY (EXCLUDING HOUSING ALLOWANCE) 3% INCREASE.** You will note the Chart now denotes Low and High Base Salaries rather than the base salary based on number of members. After researching other synod guidelines in our region and then throughout the ELCA the move was away from salary based on number of members but rather on the Cost of Living in the area and the amount of duties and responsibilities of the Rostered Minister.

1. These are considered Minimum guidelines. Congregations are encouraged to compensate pastors beyond the minimum.
2. Housing Allowance, Pension & Health Benefits, Auto Allowance & Expense Reimbursements are in addition to the Base Salary.

**For Rostered Minister’s with over 15 years of experience add \$500 for each year of experience.**

Yrs of Experience	2018 Base Salary		Housing Allowance		SECA	
	Low	High	30% Low	30% High	7.65% Low	7.65% High
0-1	\$37,143	\$39,879	\$11,143	\$11,964	\$3,694	\$3,966
2	\$37,373	\$40,078	\$11,212	\$12,024	\$3,717	\$3,986
3	\$39,097	\$41,052	\$11,729	\$12,316	\$3,888	\$4,083
4	\$40,880	\$42,033	\$12,264	\$12,610	\$4,066	\$4,180
5	\$41,873	\$43,009	\$12,562	\$12,903	\$4,164	\$4,277
6	\$42,873	\$43,984	\$12,862	\$13,195	\$4,264	\$4,374
7	\$43,869	\$44,964	\$13,161	\$13,489	\$4,363	\$4,472
8	\$44,863	\$45,861	\$13,459	\$13,758	\$4,462	\$4,561
9	\$45,863	\$46,918	\$13,759	\$14,076	\$4,561	\$4,666
10	\$46,778	\$47,923	\$14,034	\$14,377	\$4,652	\$4,766
11	\$47,857	\$48,874	\$14,357	\$14,662	\$4,759	\$4,861
12	\$48,881	\$49,847	\$14,664	\$14,954	\$4,861	\$4,957
13	\$49,851	\$50,792	\$14,955	\$15,238	\$4,958	\$5,051
14	\$50,844	\$51,805	\$15,253	\$15,542	\$5,056	\$5,152
15	\$51,808	\$52,782	\$15,542	\$15,835	\$5,152	\$5,249

**Appendix B: Compensation for Ministers of Word & Service (Deacons)** Add together Base Salary and Housing Allowance in Appendix A to determine the total compensation based upon years of experience.

2018 Worksheet for Pastor's Compensation

NAME	2017 AMOUNT	COMPARISONS	2018 PROPOSED
<b>I. SALARY</b> a. Base salary excluding housing Adjusted for experience, merit, size of congregation, responsibility and education.  b. Social Security allowance  c. Housing Allowance or Furnishings & Equity Allowances  <b>TOTAL "DEFINED COMPENSATION"</b>	      \$	*AOK minimum \$37143 + \$500 x yrs. over 15  7.65% of base plus housing  \$12,000-\$20,000 depending on local costs	      \$
<b>II. BENEFITS</b> a. Pension, medical, disability, death benefits (percentage of "Defined Compensation")  b. Vacation  c. Other benefits:  <b>TOTAL BENEFITS</b>	  _____ Weeks  _____  \$	10% Pension, % for Medical varies  four weeks  _____	  _____ Weeks  _____  \$
<b>III. PROFESSIONAL EXPENSES</b> a. Automobile expense reimbursement  b. Time for continuing education  c. Continuing education allowance  d. Books, magazines, and registration fees  e. Other reimbursable expenses  <b>TOTAL PROFESSIONAL EXPENSES</b>	  _____ weeks  _____  \$	53.5 cents/mile  was 2017 rate  two weeks  \$ 700.00	  _____ weeks  _____
<b>TOTAL FOR PASTOR'S MINISTRY Salary, benefits, and reimbursed professional expenses as minister of this church.</b>			

