

Salary & Benefits Compensation Groups

Total compensation for Professional Church Workers consists of the following four compensation groupings, which is intended to meet the different needs of the individual workers and his/her family. Each of these groups includes those items commonly provided to salaried employees as part of a normal salary and benefits package. This breakdown should also assist your review committee as they make comparisons with other professions during the review process.

Exhibit I, "A Worksheet for Development of Professional Church Workers Compensation", is included at the end of this document to assist in establishing levels of compensation and support for your worker(s).

Basic Salary

This compensation item should be sufficient to allow the Professional Church Worker and his/her family to maintain a reasonable standard of living. Specific needs that should be met include food and clothing, durable goods, a reasonable amount for savings, etc. Basically, this should be adequate to provide normal essentials that are not otherwise provided for through one of the following grouping items. The housing allowance for a worker is included in the basic salary. However, the amount designated as housing allowance needs to be determined by the worker and annually authorized by the congregation.

Allowances

These can be for any number of items, but the basic intent is that a cash amount is given to the Professional Church Worker in lieu of that particular expense being paid or a particular commodity being provided, such as a housing equity or utilities allowance. Note: Housing Equity for Ministers of the Gospel: Ordained and Commissioned is a special allowance that would enable workers to build an equity fund as if they were purchasing their home rather than living in the parsonage/teacherage or other church-owned housing.

Supplemental Benefits

These are benefits that are provided or paid to others by the congregation for items that directly benefit the worker and his/her family either now or in the future.

- Concordia Retirement and Welfare Plan
- Other life or hospital insurance plans
- Vacations
- Tax deferred annuity/tax-sheltered annuity/IRAs
- Sabbatical leave

Ministry Related Expenses

These are reimbursements by the congregation to the worker for church related expenses. These are not income but simply expenses incurred in the maintenance of the office of the worker for which the congregation has agreed to reimburse the worker.

- Car operation expenses
- Continuing education/professional development
- Attendance at professional conferences
- Professional organizations membership

- Professional books and equipment

Basic Salary Guidelines

As previously discussed, factors which should be considered when arriving at an appropriate level of compensation for your Professional Church Workers include:

The economy and cost of living in your area (<https://www.bestplaces.net/>)

- Years in ministry
Compensation should increase commensurate with the size of your congregation or school and the scope of responsibility of the worker
- Size of the staff
Being a senior pastor in a multiple ministry or an administrator in a Christian school should impact the worker's salary.
- A multiple parish
Performance and educational achievement - If not a practice of your congregation/school, this should be provided in relation to an annual performance review.
- Second-career worker
Normally, graduates of seminaries or colleges will enter a salary scale at year "0". However, if an individual enters a ministry as a second career, later in life, adjustments should be made to reflect his/her past experience and professional maturity. Determine the number of years in the workforce, since age 22. Subtract the seminary years (if living residential). Divide by two and use that number as years of service. For example, if your candidate was 42 years of age and was resident on campus for 3 years, you would: $20 \text{ (years)} - 3 \text{ (residency)} = 17/2$ or 9 years of experience.
- The economy and cost of living in your area (<https://www.bestplaces.net/>)

Professional Church Workers

Exhibit 2 provides starting point salary guidelines for Professional Church Workers, based on national average values prior to adjustments shown in III, A.2. Salary Index & Exhibit 1. The Professional Church Workers' salary scale includes a housing allowance. IRS regulations indicate that a Synodically-rostered worker may designate, by annual congregation resolution, a portion of the salary as a housing allowance. (Exhibit 4)

SED Salary Base

The salary base, from which salaries are calculated, is that of a first-year teacher with an AA degree. This base salary is adjusted yearly by the SED, taking into consideration the relative cost of living due to inflation using a review and evaluation of the following Social Security Cost of Living Adjustment (<https://www.ssa.gov/news/cola/>), the National LCMS and LCEF, and other districts of the LCMS. The Cost of Living Index (<http://coli.org/>) is also reviewed as part of the process.

Basic Salary

To determine the worker's basic salary, please refer to the Suggested Salary Scale chart located with the Exhibits. Locate the appropriate position column and then the row for experience.

Regional Cost of Living

Congregations and schools should also take into consideration their regional costs of living relative to the national average, especially as it pertains to housing costs, when determining the worker's basic salary. Go to <https://www.bestplaces.net/> (Enter a zip code in the "search" box and on the next page, select "Cost of Living" in the "Use This Checklist" in the left column.)

Salary Index

It is important to carefully examine the role that each person serves in the school and congregation. The size of the school and congregation, the scope of the extra responsibility, the amount of time necessary to complete the tasks and the amount of experience and training are usually taken into consideration. It is expected that the nature and scope of the task will vary from congregation to congregation, from school to school.

Suggested increase to base salary for additional responsibilities:

Pastors

- 0-200 Worship Attendance 0.00
- 201-400 Worship Attendance 0.10
- 401-800 Worship Attendance 0.15
- 801-1200 Worship Attendance 0.20
- Over 1200 Worship Attendance 0.25
- More than one congregation 0.10

Assistant or Associate Pastors can be paid using the base of one-half of the percentage identified above of the congregation's worshipping size.

Principals/Administrators

- 0-200 Students 0.00
- 201-275 Students 0.10
- 276-400 Students 0.15
- More than 400 0.20

Assistant Principals can be paid using the base of one-half of the above scale.

Early Childhood/Child Care Directors

- 0-75 Students 0.00
- 76-150 Students 0.05
- 151-200 Students 0.10
- More than 200 Students 0.15

Teachers

Recognizing that the primary responsibility of a teacher is in the classroom, the index factor for responsibility and extra duties assigned should reflect the percentage of time a person in that position would normally spend in performing those duties above and beyond those normally associated with a classroom teacher. Those workers who have taken on additional responsibilities: church organist, youth ministry, evangelism, coaching may be placed as Teacher, 12-month.

Advanced Education

Workers are encouraged to develop a continuous growth program. Congregations are also encouraged to recognize this growth with the following additional percentages for advanced education.

Salary Schedule

Once a salary index has been established for each staff position, a salary schedule can be constructed which takes into consideration the education and the years of experience the staff member brings to the position.

Years of experience refer to total years in church and school ministry (not just those in the current congregation). The experience factor adds more to the value of the salary in the first years, and thus, the step increments should be larger. After 10 years, the additional experience has less value to the performance of the duties of the position, and consequently, the percentage increase per step is less.

Salary Scale - A sample salary scale is shown in Exhibit 2.

Other Professional Church Workers

The salary schedules and scales referenced above contain various factors for determining appropriate salary levels for other Professional Church Workers. Additional salary information may be available from Synodical colleges and universities or from the SED Office.

Allowances

Housing-General

The Southeastern District, LCMS encourages home ownership for professional workers. It does so with the conviction that home ownership during working years provides an opportunity for accumulating residence equity, thereby assuring a means for meeting the retirement housing needs of the worker and dependents. Home ownership permits Professional Church Workers the freedom of acquiring housing particularly suitable to needs and desires. It also removes the worker from a situation of direct dependency upon a congregation or committee, thereof, for housing improvement, maintenance and repair while, at the same time, it relieves the congregation from the many cares of parsonage/teacherage ownership and upkeep.

Congregations may still assist workers in securing a housing or down payment loan as a “pass through” loan. The congregation applies through LCEF and loans the funds directly to the congregation. This loan can be unsecured or secured according to its size and the financial strength of the congregation. The congregation then loans these same funds to the worker, usually at the same interest rate and terms. The loan from the congregation to the worker should always be secured via a lien on the property that the worker is purchasing. The congregation’s loan from LCEF, if secured, is secured with a lien on the congregation’s property. The congregation can obtain an application through the District Vice President or through www.lcef.org.

Workers can go directly to LCEF for a housing loan only if they will reside within one of the 16 states in which LCEF is licensed to make such loans. None of these 16 states are located within the geography of the SED. Until the banking crisis of 2008, LCEF made housing loans directly to workers in all states. Following 2008, with the cost of licensing and compliance increasing across the board, the decision was made to license only in these 16 states which were the ones with the highest concentration of workers. Applications for direct housing loans that are available within the 16 states are available from www.lcef.org. The 16 states are listed on the website.

Workers in all 50 states are now eligible for a housing loan through Lutheran Federal Credit Union. They should contact LFCU directly at <https://www.lutheranfcu.org/>

Congregations and the worker must demonstrate financial capability and meet the LCEF qualifications and guidelines.

Church-Owned Housing: Parsonage or Teacherage

Where housing is provided by the congregation, it is recommended that the congregation assume full responsibility for all housing-related costs, including general maintenance and repair, decorating, utilities and telephone. The personal choices of the residents should be considered when changes are being made to the decorating.

A worker living in a parsonage or teacherage may also receive a housing allowance to cover the cost of such items as garbage removal, lawn care, home furnishings, repairs, and maintenance, if any of these are paid for directly by the worker.

If the congregation prefers to have the worker pay utilities, it should carefully determine the actual costs and provide an allowance adequate to cover the total cost.

If a parsonage or teacherage is provided a worker, the congregation needs to determine the value of providing this housing for the worker and consider it as income. By not owning a home, a worker does not enjoy the opportunity to build equity in a home.

Congregations can help by setting aside an amount each year in a restricted fund so that when a worker retires or moves on to a new call, the worker will have the equivalency of housing equity available to him. His next call may not provide housing. Though a specific amount is not suggested, it may be worthy to consider an amount equal to the amount of property taxes that would be paid if the dwelling was taxed. Another method is to price the dwelling from year to year and let the difference in market value determine the equity contribution amount.

It is highly advisable that a congregation provides a housing equity allowance for Professional Church Workers who are required to live in church-owned housing. This is a special allowance that would enable workers to build an equity fund as if they were purchasing their home rather than living in the parsonage/teacherage or other church-owned housing.

Individually Owned or Rented Housing

Where the congregation provides a cash housing allowance to its Ministers of the Gospel: Ordained and Commissioned, such allowance should be sufficient to enable the worker to secure and maintain housing that reflects the local residential home market. The amount will vary depending on the economic conditions from place to place and should be reassessed annually.

Ministers of religion, ordained and commissioned, who are eligible for a tax excluded housing allowance will need to fulfill the basic requirements set by the IRS. The congregation must designate a portion of the total compensation as a "Housing Allowance", and a resolution designating the amount allowed must be entered in the Congregation's minutes in December (or earlier) before the calendar year in which it is to be effective.

This action may be amended at any time but is applicable to future payments (not retroactive). Once the amount of the allowance has been properly designated, it need not be paid to the worker separately. It can be included in one check covering both the allowance and salary.

The housing exclusion is intended to cover the expenses the worker actually spends which are directly related to renting or providing a home. For this purpose, the term "home" not only means a dwelling place, but also includes other related structures such as a garage. Expenditures directly related to renting or providing a home include rental payments and mortgage installment payments on a home and such related expenditures as real estate commissions, attorney fees, escrow fees, mortgage interest, real estate taxes and special assessments; utilities, garbage removal, repairs and maintenance, home furnishings and the cost of insurance coverage for fire, theft, and liability.

The amount of money designated as "housing allowance" is not considered income for federal income tax, but is considered income when computing Social Security Tax.

The designation of a "housing allowance" has tax benefits for Ministers of Religion: Ordained and Commissioned. The portion of salary determined to be housing allowance is exempt from Federal Income Tax. In addition, the worker is allowed to pay the interest on the home mortgage loan and property taxes out of the housing allowance and declare them as deductions for tax purposes.

Exhibit 4 provides sample resolutions for establishing housing allowances. Exhibit 4 also provides a format on which the church worker can estimate his/her housing expenses.

FICA (Social Security)

Contract Workers

Congregations must withhold social security and Medicare taxes from the salaries of all workers except self-employed. In addition, congregations must match the employees withheld FICA taxes. The social security tax rate is 6.2%, the Medicare tax rate is 1.45%, therefore the FICA tax rate, which is the combination of the two rates, is 7.65%. These rates are in effect for 2018.

Self-employed Workers

It should be noted that for FICA tax purposes, "called" workers are considered "self-employed" and therefore pay this tax on both "salary" and "housing" at a higher tax rate than if they were considered "employees" where the employer matches the employee's share of the FICA costs. Congregations may choose to reimburse their called workers for a portion of these costs. (Please note, these payments are taxable as income to the worker.)

The FICA tax rate for self-employed persons is 15.3% (12.4%-Social Security, 2.9% Medicare tax) (2017). See IRS Publication 505 "Tax Withholdings and Estimated Tax" (<https://www.irs.gov/pub/irs-pdf/p505.pdf>) provides detailed information on the change in computing self-employment Social Security taxes. You are encouraged to review your annual Social Security statement.

Supplemental Benefits

Health, Disability, Survivor, and Retirement Plans (Concordia Plan Services)

The Lutheran Church - Missouri Synod offers Worker Benefit Plans for congregational participation. They provide for future retirement income to Professional Church Workers, medical and dental care for the worker and his/her dependents, and future income for the surviving spouse and minor children in the event of the worker's death.

In situations where the congregation does not participate in Concordia Plan Services, other provisions should be made by the congregation to provide for these future needs, such as life insurance, health insurance, tax deferred annuities, etc.

Congregational Benefit packages are consistent for all employees. A congregational policy should identify if spouse and children are covered as part of the worker's benefits, as well as which options of the Health Plan are available in the benefit package as well as determine the number of hours that qualify for full-time work.

Detailed information on the Concordia Plan Services can be obtained from the website at: <http://www.concordiaplan.com>.

Vacation

Each congregation should have a documented policy for all church workers. Vacation and days off each week are necessary if the worker is going to avoid overwork and "burnout." The amount of time will perhaps vary with each situation so this must be determined locally. (A minimal suggestion would be one day per week off and 3 - 4 weeks, including Sundays, per year vacation. Providing this time and encouraging the worker to take advantage of it will benefit both the worker and the congregation.)

Leave Time

Each congregation should have documented policies for all workers which defines leave time in a variety of areas, such as:

Sick Leave	Leave of Absence
Personal Leave	Maternity/Paternity Leave
Administrative Leave	Continuing Education
Sabbatical Leave	

The Lutheran Church – Missouri Synod has an employee manual template that can help you review or develop policies. (<https://www.lcms.org/resources/church-and-school-administration>)(scroll down to Personnel Matters for this and additional resources.)

Health Savings Accounts and Flexible Spending Accounts

These pre-tax accounts designed to assist with medical costs should be made available to employees. Flexible Spending Accounts, Health Savings Accounts, and Health Reimbursement Accounts are available through the Concordia Plan Services, if the congregation/school is using CPS.

Tax-Sheltered Annuity (TSA) or IRA

A TSA, IRA, or 401B are options available to workers. It should be his/her election to determine what portion of the before-tax income is so utilized.

Professional Expenses Guidelines

Auto

Professional Church Workers are required to account to the IRS for auto allowance income. Because of changing tax laws concerning a church worker's tax liability for auto allowance, it is recommended that congregations seek advice from a tax consultant and from the IRS. Allowances could be provided for actual miles driven basis or by a monthly allowance.

The congregation should provide an annual allowance for pastors and other workers who make extensive use of their personal car for their ministry. This allowance should be sufficient to replace, on a periodic basis, the auto used by the church worker. On the average, it is anticipated that this replacement would occur every four years.

NOTE: IRS Standard Mileage Rates

IRS posts annual mileage rate reimbursement on <http://www.irs.gov/Tax-Professionals/Standard-Mileage-Rates>

Books / Periodicals

A sum should be identified in the church budget for these purposes. This amount is not added to the church worker's compensation but is made available when needed.

Professional Development / Continuing Education

All Professional Church Workers should be encouraged to have an annual plan for professional development and continuing education for his/her personal benefit and for the benefit of those whom he/she serves. This allowance is placed in the budget to be used, when needed. The amount should not be a "token" amount but should be sufficient to permit the worker to avail him/herself of a meaningful development opportunity.

The worker should not be expected to use his/her vacation or days off to attend opportunities for continuing education.

Convention and Conference Attendance

These are part of church business and they benefit both worker and congregation. The congregation should reimburse the church worker for registration, travel, meals, and lodging costs attendant to these events. This should be an allowance, the amount of which should be determined between the church worker and the salary review committee, based on the events included on the Southeastern District's calendar of events.

Important Documents For Each Congregation

Congregational Treasurer's Manual

The Congregational Treasurer's Manual is published by the Lutheran Church - Missouri Synod and provides invaluable information on:

- Federal and State Taxes

- Accounting and Finance
- Insurance

Each congregation and school is provided one copy of this manual by the District. This resource is available through the Synodical website: <http://www.lcms.org/page.aspx?pid=1128>

Congregational Employee Manual

The Congregational Employee Manual is published by the Lutheran Church - Missouri Synod and provides helpful information for assisting congregations and schools in establishing a written personnel manual. Each congregation and school is provided one copy of this manual by the Southeastern District. A copy of the manual is available through the Synod at <http://www.lcms.org/page.aspx?pid=1138> (Scroll to Personnel Matters)

Student Loan Forgiveness

Public Service Loan Forgiveness forgives federal student loan debt after 10 years or 120 qualifying payments for people working in certain public service jobs. To qualify for forgiveness, a borrower must make the right type of payments (Income-Based Repayment, Income-Contingent Repayment, or a 10-year standard payment) on the right type of loan (federal Direct Loan) while working in the right type of job (government, nonprofit, etc.). <http://www.IBRinfo.org>, is a leading source of consumer information about the programs.