



DATE: August 2011

TO: Pastors, School Administrators and Congregational Treasurers

FROM: Rev. Paul Linnemann, District President
Marilyn Allen, Business Manager

RE: (1) Compensation Guideline Recommendation for 2012
(2) Compensation Guidelines for Professional Church Workers

Dear Brothers and Sisters in Christ,

It's the time of year that the Northwest District staff is beginning to put together our budget for 2012, and once again we're faced with the challenge of matching available resources with ministry needs. I know this is a constant challenge for you, too, in your respective ministry. For a number of years we recommended no increase in our District Salary Guidelines, and last year we recommended a 1% increase due to the country's economic situation. While the economy remains in a challenged state, we must also recognize the increased cost of living that has continued over the past few years. Therefore, we are recommending that the base compensation (salary & housing) for 2012 be increased 2% to **\$33,122.57**.

The Social Security Administration will not report its cost-of-living (COLA) recommendations until after the third quarter of this year, yet I believe that our workers have borne a burden of a static salary figure in the context of increased costs. While we can't put a dollar figure on the service our professional church workers provide to the ministry of the Lord's church, our churches and educational ministries agree to care for their workers' needs so that they can focus their attention on their ministry. It is in this spirit that I make this recommendation to you.

The TAXES AND MINISTERS resource will be available in late October and will be forwarded under separate cover. For your convenience, the salary guidelines and Taxes and Ministers (when available) can be downloaded from our website at www.nowlcms.org. Please feel free to reprint these resource guides and provide copies to all of your called staff.

Your District Office joins you in the challenging task of trying to balance resources and ministry needs. Though it continues to be an ongoing issue, God is faithful and we, as His people, trust that He will provide what is needed to continue our work in supporting the mission of the Gospel. Our staff is working especially hard to maximize the impact on ministry for every dollar we spend as we seek to be good stewards of the resources you provide to us. Please remember that our budget is a reflection of our overall revenues with the largest percentage of our revenue coming from contributions congregations send to the District.

God has blessed our church body with many gifted people who have answered His call to serve His church. As you discuss the issues of compensation, church & school budgets, please remember we are discussing how we care for a precious gift that God has provided His church to help carry forth the Gospel... His people.

God bless you in your planning and in your efforts to carry on the work of ministry where He has placed you.

COMPENSATION GUIDELINES FOR PROFESSIONAL CHURCH WORKERS

THE FOLLOWING GUIDELINES ARE ONLY A SUGGESTION; A STARTING POINT FOR THE WORKER, THE COMMITTEE, AND THE CONGREGATION.

Although it is impossible to set down any guidelines that will be fair and equitable in every situation, we have attempted to take into consideration most situations that a congregation might face in behalf of professional church workers.

1. We recommend that a Church Worker Support/Salary Review Committee be established where the responsibility and remuneration of each professional church worker can be discussed. This committee, in discussion with the worker(s), should determine the final salary figures. That is the only place where variables such as the economy of the region, the special challenges of the area, previous financial commitments of the parish, spirituality of the congregation, etc., can be considered. **See Appendix A for committee guidelines.**
2. After considerable study and analysis of salary guidelines used by LCMS Districts across the nation, this method appears to offer the most flexibility while still applying a fair, standard incremental table for years of service, attainment of education levels, etc. Their incremental multiplier table with accompanying rationale is used as the basis for the committee's recommended **Increment Table**.
3. The increment table applies **only** to what we have traditionally called **salary and housing** items. Fringe benefits, such as the Concordia Plans, and continuing education, transportation and conference expenses are handled in another way.
4. The years of experience referred to are "years of experience in professional church work", not years of experience at a particular congregation.
5. In determining what constitutes the base, for professional church workers in the church, a Baccalaureate degree (four years of college) with no experience, is usually considered as the base. The educational hours referred to are "semester hours". To transfer "quarter hours" to "semester hours" multiply by .67. Credit may also be given for special practical training acquired in workshops and seminars such as Bethel Series, Stephen Ministry, Crossways, P.L.I., Marriage Enrichment, etc. One week of workshop or seminar could equal one semester hour of academic education.
6. Teachers with less formal education than a college degree would have a multiplier smaller than 1.00 applied to the base. In the same regard, workers with an education beyond the Bachelor Degree would use a multiplier larger than 1.00 commensurate with the additional hours earned. Please refer to the **Increment Table** on page 4 of these guidelines. When preparing compensation packages for teachers, it is advisable to compare the overall salary package with the local school district salary scales to ensure fairness and equity within your locale. It is also advisable to consider the value of preparation and administration time necessary within the position over and above base salary. **Schools seeking accreditation or in the process of accreditation should follow the guidelines, regulations and standards of the accrediting agency.**
7. In order to take into account other items that should be reflected in a worker's salary, we suggest that congregations establish special point values for responsibility beyond that recommended in the salary scale. The following are examples of possible point values that could be established and used during the salary work-up process:
 - Principal of a school = .10
 - Director of Christian Education supervising the entire educational ministry of the congregation = .10
 - Responsibilities for total direction of the music program of the congregation = .07
 - Responsibilities for athletic program for the entire congregation = .05, etc.These figures apply only for responsibilities beyond the normal call of duty.

8. Pastors are considered in the scale as having a minimum of an MA degree plus 18 hours. It is recommended that the base factor apply to congregations with an **average worship attendance** of up to 200 and an additional .02 units be added for each 100 or portion thereof beyond 200. Average worship attendance should be considered in salary determination for pastors.

Example: a pastor with five years of experience, serving a congregation with an average worship attendance of 650, would calculate as follows:

Base points from table	1.50
Average worship attendance adjustment (.02 X 5)	.10
	=====
Total points	1.60

9. The salaries for the Administrative or Senior pastors, where applicable, should be computed on the same base increment scale. However, because of the nature and responsibility of these positions, an additional increment of .10 points should be added.

Example: a Senior pastor with ten years of experience, serving a congregation with an average worship attendance of 650, would calculate as follows:

Base points from table	1.70
Senior pastor adjustment	.10
Average worship attendance adjustment (.02 X 5)	.10
	=====
Total Points	1.90

10. For assistant pastors it is recommended that the senior pastor's salary be determined as in the preceding paragraph and that the assistant pastor's salary be determined by adding .01 units for each 100 or portion thereof beyond 200 for average worship attendance.

Example: an associate pastor with three years of experience, serving a congregation with an average worship attendance of 650, would calculate as follows:

Base points from table	1.40
Average worship attendance adjustment (.01 X 5)	.05
	=====
Total points	1.45

11. Salaries for pastors serving more than one parish should be determined by the sum of memberships of all parishes served. To compensate for travel time and multiple meetings, he should also receive an additional increment of .10 for each additional parish served beyond the first parish.

12. Merit pay for extraordinary services **is not** built into the guidelines but should be given consideration by giving an additional unit value credit as appropriate. Workers who enter the ministry or fields of education later in life should be started at a rate which recognizes the value of their past experience and maturity.

13. Cash deduction from total compensation for a pastor living in church provided housing (parsonage) should be figured on the basis of the reasonable market rental value of the housing (parsonage).

Example: a pastor with sixteen years of experience, serving a congregation with an average worship attendance of 650 would calculate as follows:

Base point from table		1.85
Congregation size adjustment (.02 X 5)		.10
		=====
	Total Points	1.95
Total compensation (salary & housing)	(33,122.57 X 1.95)	= \$64,589.01
Less: church provided housing adjustment (Reasonable market rental value of housing as determined by congregation i.e. \$1,000 per month)	=	<12,000.00>
		=====
Total Cash Salary	=	\$52,589.01

14. The recommended base for 2011 with the increment table value of 1.00 equals **\$33,122.57** for salary and housing.

15. EXAMPLES: for a congregation with an average worship attendance of 600

Pastor	5 years experience	Base X (1.50 + .08 size)	=	\$ 52,333.66
Principal	MA plus 5 years of experience	Base X (1.42 + .10 principal)	=	\$ 50,346.31
Teacher	BA+9, 3 years of experience and music responsibility	Base X (1.19 + .07 music)	=	\$ 41,734.44
Teacher	BA and no experience.	Base X 1.00	=	\$ 33,122.57

INCREMENT TABLE

Years	Teacher												
	No Deg	AA	BA	School Administrator									
				BA+ 4	BA+ 9	BA+ 18	BA+ 27	MA	MA+ 9	Pastor			
										MA+ 18	MA+ 27	MA+ 36	MA+45 or PHD
0	.75	.90	1.00	1.02	1.04	1.09	1.13	1.17	1.21	1.25	1.29	1.33	1.37
1	.80	.95	1.05	1.07	1.09	1.14	1.18	1.22	1.26	1.30	1.34	1.38	1.42
2	.85	1.00	1.10	1.12	1.14	1.19	1.23	1.27	1.31	1.35	1.39	1.43	1.47
3	.90	1.05	1.15	1.17	1.19	1.24	1.28	1.31	1.36	1.40	1.44	1.48	1.52
4	1.00	1.10	1.20	1.22	1.24	1.29	1.33	1.37	1.41	1.45	1.49	1.53	1.57
5	1.05	1.15	1.25	1.27	1.29	1.34	1.38	1.42	1.46	1.50	1.54	1.58	1.62
6	----	----	----	1.32	1.34	1.39	1.43	1.47	1.51	1.55	1.59	1.63	1.67
7				----	1.39	1.44	1.48	1.52	1.56	1.60	1.64	1.68	1.72
8					----	1.49	1.53	1.57	1.61	1.65	1.69	1.73	1.77
10						1.54	1.58	1.62	1.66	1.70	1.74	1.78	1.82
12						----	1.63	1.67	1.71	1.75	1.79	1.83	1.87
14							1.68	1.72	1.76	1.80	1.84	1.88	1.92
16							----	1.77	1.81	1.85	1.89	1.93	1.97
18								1.82	1.86	1.90	1.94	1.98	2.02
20								1.87	1.91	1.95	1.99	2.03	2.07
25								1.92	1.96	2.00	2.04	2.08	2.12
30								----	2.01	2.05	2.09	2.13	2.17
35									2.06	2.10	2.14	2.18	2.22

NOTE:

1. The numbers following the respective degrees are semester hours. (See p. 1, paragraph 6)
2. Increment between listed benchmarks should be pro-rated accordingly

COMPENSATION WORKSHEET FOR "ROSTERED" WORKERS

Worker Name: _____

Years in ministry: _____

Incremental points based on education and experience (from Increment Table) _____

Extra responsibility point (see paragraphs 7,8) _____

Congregational size adjustment (see paragraph 9, 10, 11) _____

Other adjustments (see paragraph 12) _____

TOTAL POINTS

=====

X \$ 33,122.57

=====

Less: Church provided housing (parsonage) _____
If applicable (see paragraph 13) < _____ >

TOTAL BASE CASH SALARY \$ _____

"Special Equalization Payment" \$ _____

(See Congregational Treasurer's Manual Chapter 4.550)
If worker is enrolled in CRP on the Regular basis
3% of Total Compensation (including housing – cash paid to worker or church provided housing). If the employer is already helping a worker pay his/her self-employed Social Security taxes (i.e., SECA) and the amount is at least 3% of compensation, the special payment described above does not have to be made.

The Congregational Treasurer's Manual addresses the remaining details of establishing housing (chapter 2), auto and other allowances (Chapter 6). *Everyone involved in the compensation and budgeting process should review this manual.*

Budgeting the Total Costs

Beyond the basic Salary, Housing allowance and Offset payment (if applicable), there are a number of benefits and overhead expenses that must be taken into account when providing complete care for the worker, as well as meeting federal and state requirements. It is important to be aware of, and include, all of these items when preparing your operating budget.

Everyone involved in the budgeting and compensation process should review the Administrative Information for Treasurers and Business Managers booklet provided by Concordia Plan Services. This, as well as other helpful information, can be found on their website, www.ConcordiaPlans.org in the “Resources” section, under the link “Employer Resource Materials.”

Concordia Plan Services:

- Concordia Health Plan (Option _____)
– includes medical, dental, and mental health plus prescription service.
- Employer contributions to a Personal Spending Account
- Concordia Retirement Plan (Full or Regular)
- Concordia Survivor & Disability Plan

\$	
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The Church’s Plan (optional):

- Concordia Health Plan (Option _____)
– includes medical, dental, and mental health plus prescription service.
- Employer contributions to a Personal Spending Account
- Concordia Retirement Plan (Full or Regular)
- Concordia Survivor & Disability Plan
- Concordia Retirement Savings Plan – Employer additional match (optional)

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Continuing Education

Northwest District Convention Resolution recommends congregations allow \$500.00 per worker plus a minimum of 1 week per year [in addition to vacation], including sabbaticals. An additional \$200.00 per year is recommended to be deducted from each worker’s salary and added to the fund. Up to 3 years of time and funds shall be permitted to accumulate. If the worker leaves the congregation, the unused portion of the personal contributions is to be returned. It should also be noted that the Convention Resolution further states, “each minister be encouraged to intentionally accrue a minimum of 2.5 CEU [Continuing Education Units; CEU = 10 contact hours of learning activated in an instructional setting]”.

\$	
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Transportation Expenses

The cost of automobile operational expenses should not be considered as part of the compensation of the worker. It is recommended that reimbursement be either actual expenses incurred or a mileage reimbursement rate of \$.555 per mile (Federal & District rate for 2011). An updated IRS rate for 2012 will be provided when known. Other transportation should be reimbursed at cost. As inflation and costs increase, the congregation may want to consider leasing a car for the worker and providing a credit card for operating expenses. **(See Chapters 6.135, 6.136 & 7.600 in the Congregational Treasurer's Manual for tax reporting regarding transportation expenses.)**

\$

Other Additions

Guest Speakers

It is important to remember that guest speakers should be both cared for and budgeted for. These figures take into consideration preparation and travel times. The following is recommended:

- Travel expenses plus:
- \$100.00 for one service
- \$150.00 for two services per Sunday

\$

TOTAL BUDGET ADDITIONS

\$

Vacation & Holidays

The following vacation schedule is recommended:

<u>Number of Years of Professional Service</u>	<u>"Basic" Schedule*</u>	<u>"Extended" Schedule**</u>
1 - 4 years	2 weeks	3 weeks
5 - 14 years	3 weeks	4 weeks
15 and above	4 weeks	5 weeks

Recommended Paid Holidays:

New Year's Day***	Labor Day
President's Day	Thanksgiving Day***
Memorial Day	Christmas Day***
Independence Day	

* Many called workers serve ministry functions where they work a fairly classic five-day week with typical paid holidays. We recommend you use the "Basic" schedule above.

** Use the "Extended" schedule for workers who serve ministries requiring service more than five days a week and work on "holidays"

*** Holidays that typically include Worship

It is further recommended that the parish honor the worker's day(s) off each week. Attendance at conferences, conventions and District meetings are not to be part of the day off activities or vacation. These vacation guidelines are made in recognition of the fact that most professional church workers work a six-day week.

Tax Advantages

Certain tax advantages are available to all **rostered** professional church workers. It is recommended that each congregation carefully review the sections of the Congregational Treasurer's Manual that apply to the handling of church worker payroll as well as the annually revised Synod pamphlet "Taxes And Ministers". This pamphlet is provided to every congregation along with the revised Congregational Treasurer's Manual.

Salary for Vacancy

If a pastor fills a congregation vacancy from a neighboring congregation, the duties will be quite limited. The congregation and the pastor should work out in detail what services the pastor will render. The compensation for his services should be determined by deciding what percentage of the total ministry he will fulfill. Using the total salary of the previous pastor of the congregation, the compensation should be determined by multiplying that total salary by the agreed upon percentage. Another salary base might be used, as indicated below. This compensation level should be related to the services rendered. Particular attention should be given to a time of higher activity in a congregation, such as the Lenten or Advent season or some similar situation.

If a vacancy is served on a full-time basis by a retired pastor or a pastor who is a CANDIDATE, another approach should be used. In this case, if the congregation and the pastor agree that it is a full-time ministry, then he obviously should be paid on a full-time basis. If the vacancy pastor is to serve on a part-time basis, again that percentage should be determined and he is paid accordingly. The suggested full-time salary should be one of the following, according to the discretion of the congregation:

- 1) the salary of the pastor who has just left;
- 2) the salary of the pastor whom the congregation intends to call
- 3) a salary based on the vacancy pastor's position with regard to the suggested guidelines of the Northwest District;
- 4) a salary of a comparable position in the local public school system or other community agency.

The worksheet on the following page has been designed to assist a congregation in determining the appropriate salary for a vacancy and/or interim pastor. The form is included here for informational purposes only. The form is also included in every vacancy packet. If you need a vacancy packet, please contact your Circuit Counselor.

In any event, any expenses incurred by the vacancy pastor (telephone, auto mileage, postage, etc.) should be reimbursed by the congregation. If a congregation engages a retired pastor, attention should be given to the amount that he can earn without additional taxation as determined by the IRS.

Intentional interim pastors are generally for an extended period and the "interim" pastor is leading the congregation through a self-study that would be greater in depth than a vacancy pastor would provide. Intentional interim pastors are considered independent contractors and there are no set rules on their compensation. Standard practice has been to offer the same salary and housing as the senior pastor received but certainly not less than the salary guidelines published by the District. Mileage is also paid from home to church plus any business mileage at the current IRS rate. Vacation is negotiable and usually prorated based on length of time worked.

In Conclusion

Our God has provided many gifts to His church to carry out the work of the kingdom. He has provided financial assets (money), physical assets (land, building and property) and human assets (people). We are accustomed to applying good stewardship rules to our wise use of the financial assets and we spend a great amount of time and effort in caring for the physical assets.

We pray, above all, that each congregation will be moved by a spirit of stewardship to take as good care of the human assets, our professional church workers, as we do all other gifts.

Pastoral Vacancy or Interim Service Agreement

Lutheran Church

In order to have full understanding on the part of the congregation and the Vacancy/Interim Pastor, we hereby acknowledge the following established rules and conditions of the relationship:

1. The Vacancy/Interim Pastor will serve in a full-time / part-time capacity.
2. He will begin service on _____ and complete his service on _____.
(date or "when new pastor accepts")
3. The financial considerations are:
 - a. \$ _____ (annual) Salary at the rate of \$ _____ per week.
 - b. \$ _____ Housing.
 - c. \$ _____ Utilities (all, including basic rate of telephone in housing).
 - d. \$ _____ Auto reimbursement (annual) at the rate of \$ _____ per week.
 - e. \$ _____ Pension premiums:
 - i. For pastors in active service: @ _____ % of items a, b, & c above
 - ii. For retired pastors: @ _____ % of items a, b, & c above
 - f. \$ _____ Travel from _____ to _____ and return, including food and lodging enroute, if necessary.
 - g. \$ _____ One week vacation for every 10 weeks employment. Limited to four (4) weeks per year.
4. In addition to the financial considerations noted above, the Vacancy/Interim Pastor will be provided:

5. The congregation or the Vacancy/Interim Pastor, or both, are invited to consult with the District Staff on any matter.

Vacancy/Interim Pastor

Date

Chairman (President)

Date

Chairman of the Elders

Date

APPENDIX A

CHURCH WORKER SUPPORT/SALARY REVIEW COMMITTEE

Many problems in the remuneration of professional church workers arise simply from a lack of honest and loving communication. It is recommended, therefore, that a Church Worker Support Committee/Salary Review Committee be established where the responsibility and remuneration of each professional church worker can be discussed. This group should meet at least three times before establishment of the congregation's budget.

At the first meeting each worker should present, in written form, a review of his/her qualifications, responsibilities and expectations in the ministry.

The second meeting of the committee should be held with no workers present. At that meeting the committee should prepare its presentation.

At the third meeting each professional church worker should meet in turn with the committee. At this time the responsibilities and remuneration of each worker can be discussed and a report to the budget committee and the congregation can be prepared. It is probably advisable to discuss these things with each worker separately.

While this process may seem to create an opportunity for "hard-nosed negotiation", in love, and by caring for the worker as well as we care for land and buildings, it can also become a time for sincere and honest concern for both the congregation and the worker. By the grace of God it can be a way of relieving many of the internal tensions within both the worker and members of the congregation.

Before Meeting #1

PROFESSIONAL CHURCH WORKER'S PRESENTATION GUIDE

(To be prepared by each worker for the first meeting with the Committee.) Write answers on a separate sheet of paper.)

1. Briefly review your education.
2. Briefly review your experience in church work.
3. Describe your philosophy of ministry. (Why did you choose your profession? What do you see as the most valuable contribution you can make in God's Church?)
4. How do you understand your basic responsibilities in this parish?
5. How would you evaluate your past year's work?
6. What are your goals and objectives for the coming year?
7. What could the members of the congregation do to make your work more pleasant and effective?
8. List your Community and Church activities outside of the parish.
9. How significant to your income are gifts and honoraria?
10. What do you consider fair salary and fringe benefits for the coming year for your position? What is the reasoning for your response?

Before meeting #2
COMMITTEE PRESENTATION GUIDE

(To be prepared at the second meeting, workers not present. Prepare a separate sheet for each worker.)

1. How would you evaluate your worker's labors during the past year?
2. What do you see as the special skills of each of your professional church workers?
3. How would you describe the responsibilities of each of the workers in your congregation?
4. What would you see as the goals and objectives of each of your workers for the coming year?
5. How do you feel about the community and church-related activities outside of the parish of your workers?
6. What do you believe the congregation should do to make your workers' labors more pleasant and effective?
7. What do you consider fair salary and fringe benefits for your workers for the coming year? What is the reasoning for your response?
8. Should the gifts and honoraria of the worker effect that salary?

Before meeting #3
PREPARE A REPORT FOR THE BUDGET COMMITTEE AND THE CONGREGATION

(Prepare a separate sheet for each worker.)

1. Review the education, experience and special skills of the worker.
2. Describe the recommended areas of responsibility for the worker.
3. What are the recommended goals and objectives for the worker for the coming year?
4. What should the congregation do to make the work more pleasant and effective?
5. What is the committee's recommendation concerning outside activities of your workers?
6. What are the committee's recommendations for salary and fringe benefits for the coming year? What is the reasoning behind these figures?