



*COMPENSATION and
BENEFIT RECOMMENDATIONS*

YEARS 2010, 2011 & 2012

IOWA DISTRICT WEST

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COMPENSATION and BENEFIT RECOMMENDATIONS

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YEARS 2010, 2011 & 2012

PREAMBLE

The Mission of Iowa District West is connecting, resourcing and partnering with the member congregations for the extension of the Gospel within our communities, throughout the District and into all the world.

Compensation Recommendations serve as a resource to the congregations and schools of the District offering an objective salary and benefit planning process for use in planning their workers' compensation and benefits.

Congregation leaders should review the Scriptural principles regarding the care of those who serve: 1 Timothy 5:17-18; 1 Corinthians 9:14; Galatians 6:6-7; 1 Thessalonians 5:12-13. In addition to providing financial compensation, congregation members should pray for workers and encourage them by word and action. The personal and family health of the worker is of prime consideration and should be addressed with adequate vacation time and days off. Professional growth is encouraged by providing time off and funds for continuing education and other professional workshops, seminars and conferences.

Implementation of these recommendations is best accomplished through this process:

- **Organization and study:** Appoint a special committee to study salaries and benefits for all workers in your midst. The special committee might include members of boards responsible for ministry areas: elders, education, stewardship, etc. The committee will want to review District recommendations and other statistical information about your community (public school salaries, local housing and utility costs, etc.). Adequate compensation also involves continuing stewardship education so that first-fruit gifts support the total mission and ministry of the congregation.
- **Action:** Pray often for God's blessings on the task and for the workers; consider a plan for implementation which will effectively install your guidelines over a period of time; educate the governing board or voters' assembly about responsible benefits for workers; share the specifics of their personal salary and benefit packages with each of the workers.

A proper compensation package should take into account the following items:

- a. Base Salary;
- b. Housing and Utilities (equity allowance when parsonage or teacherage is provided);
- c. Health and Retirement Plans;
- d. Professional experiences and resources: continuing education, books, periodicals, seminars, etc.;
- e. Travel Expenses; and,
- g. Social Security Adjustment for Ordained and Commissioned Ministers.

These compensation recommendations are designed to encourage fair and equitable compensation within the pastoral, teaching, and related ministries of our District on the basis of: Years of experience; Professional growth and/or formal education; and, Levels of Responsibility. Care and concern for ministry leaders is a congregation and District priority.

**SAMPLE WORKSHEET FOR COMPUTING COMPENSATION AND EXPENSES
FOR ORDAINED MINISTERS**

Worker's Name

Years of Experience

Highest Degree

COMPENSATION

- A. Base salary determined by years of experience \$ _____ (p. 5)
 B. Housing allowance (including all utilities) \$ _____ (p. 10)
 or equity allowance
 C. Compensation for additional responsibilities and degrees
 1. Sole/Senior – size of parish \$ _____ (p. 6 – 1d)
 2. Post-graduate degree \$ _____ (p. 6 – 1e)
 3. Multiple parish \$ _____ (p. 6 – 1f)
 5. Additional responsibility \$ _____

D. SUM = A + B + C \$

- E. Other cash compensation: (pastors and commissioned ministers)
 1. ½ of Social Security & Medicare (D x 7.65%) \$ _____ (p. 12 – 5a)
 2. Retirement plan adjustment (D x 3%) \$ _____ (p. 12)
 special equalization payment (formerly called the offset)

F. TOTAL = E1 + E2 \$

BENEFITS

G. TOTAL Concordia Plans (p. 11 #4 CHP + CRP + CDSP) \$

EXPENSES

- H. Auto allowance \$ _____ (p. 13 – 7a)
 I. Books, periodicals, seminars, etc \$ _____ (p. 13 – 7b)
 J. Continuing education allowance \$ _____ (p. 13 – 7c)

GRAND TOTAL = D + F + G + H + I + J \$

ORDAINED MINISTERS
BASE SALARY

Total Completed Years of Service	2010	2011	2012
0	30,500	31,000	31,500
1	31,000	31,500	32,000
2	31,500	32,000	32,500
3	32,000	32,500	33,000
4	32,500	33,000	33,500
5	33,000	33,500	34,000
6	33,500	34,000	34,500
7	34,000	34,500	35,000
8	34,500	35,000	35,500
9	35,000	35,500	36,000
10	35,500	36,000	36,500
11	36,000	36,500	37,000
12	36,500	37,000	37,500
13	37,000	37,500	38,000
14	37,500	38,000	38,500
15	38,000	38,500	39,000
16	38,500	39,000	39,500
17	39,000	39,500	40,000
18	39,500	40,000	40,500
19	40,000	40,500	41,000
20	40,500	41,000	41,500

Congregations of the District are urged to appoint or otherwise select a salary review committee to discuss, at least annually, compensation issues with all workers. Members of the salary review committee should include some of the elected leaders of the congregation. Open and honest lines of communication are vital in this whole area of worker compensation.

1. Ordained Minister Salary Recommendations

- a. Year 0 is from the beginning of service to the beginning of the new budget year.
- b. From the 21st year on, increases of at least \$500 per year of service are recommended.
- c. Professional Workers; it is recommended that a point value of at least one-half of the prior years of life experience be credited to the worker on the years of experience scale.
- d. *Adjustment to base salary for congregation size:

Baptized Members	Sole/Senior Pastor % Factor of Base	Associate/Assistant Pastor % Factor of Base
0 – 250	100%	100%
251-500	110%	100%
501-750	115%	105%
751-1000	120%	110%
+1000	125%	115%

**These adjustments are designed to reflect such factors as serving aged or infirmed members of a congregation who are unable to attend church services and activities as well as serving needs of parishioners and others outside of traditional church services.*

- e. An increase of 5% of the base salary is recommended for each earned post-graduate degree.
- f. An increase of 20% of the base salary is recommended for pastors of multiple parishes.

**SAMPLE WORKSHEET FOR COMPUTING COMPENSATION AND EXPENSES
FOR COMMISSIONED MINISTERS AND MINISTRY PARTNERS**

Worker's Name

Years of Experience

Highest Degree

COMPENSATION

- A. Base salary determined by years of experience \$ _____
- B. Housing allowance (including all utilities) \$ _____ (p. 8)
or equity allowance \$ _____ (p. 10)
- C. Compensation for additional responsibilities and degree
1. Post-graduate degree \$ _____
 2. Commissioned minister \$1,000.00 \$ _____ (p. 9 - 2a)
 3. Additional responsibility \$ _____ (p. 9 - 2e3)
 - a. Principal \$4,000.00 \$ _____ (p. 9 - 2e1)
 - b. DCE/DCO/Music \$2,000.00 \$ _____ (p. 9 - 2e2)
 - c. Other assignments \$ _____
 4. Full-time (12 month) \$2,000.00 \$ _____ (p. 9 - 2f)

D. SUM = A + B + C \$

- E. Other cash compensation: (pastors and commissioned ministers)
1. ½ of Social Security & Medicare (D + value x 7.65%)
(include value of parsonage for year) \$ _____ (p. 12 - 5a)
 2. Retirement plan adjustment (D x 3%) \$ _____ (p. 12)
special equalization payment (formerly called the offset)

F. TOTAL = E1 + E2 \$

BENEFITS

G. TOTAL Concordia Plans (p. 11 #4 CHP + CRP + CDSP) \$

EXPENSES

- H. Auto allowance \$ _____ (p. 13 - 7a)
- I. Books, periodicals, seminars, etc \$ _____ (p. 13 - 7b)
- J. Continuing education allowance \$ _____ (p. 13 - 7c)

GRAND TOTAL = D + F + G + H + I + J \$

COMMISSIONED MINISTERS AND MINISTRY PARTNERS*

Total Completed Years of Service	2010	2011	2012
0	26,500	27,000	27,500
1	27,000	27,500	28,000
2	27,500	28,000	28,500
3	28,000	28,500	29,000
4	28,500	29,000	29,500
5	29,000	29,500	30,000
6	29,500	30,000	30,500
7	30,000	30,500	31,000
8	30,500	31,000	31,500
9	31,000	31,500	32,000
10	31,500	32,000	32,500
11	32,000	32,500	33,000
12	32,500	33,000	33,500
13	33,000	33,500	34,000
14	33,500	34,000	34,500
15	34,000	34,500	35,000
16	34,500	35,000	35,500
17	35,000	35,500	36,000
18	35,500	36,000	36,500
19	36,000	36,500	37,000
20	36,500	37,000	37,500

**BASE SALARY
BASED ON TEN
(10) MONTH
SERVICE PERIOD**

**Plus Housing
Allowance**
(Details on page 10)

- Ministry partners include non-commissioned Lutheran school teachers, non-commissioned youth, education, and other ministry area leaders, full-time DELTO vicars.
- From the 21st year on, increases of at least \$500 per year of service are recommended.
- Congregations continue to employ lay leaders from the congregation in full-time roles as leaders in education, youth, and other ministry areas. The basic scale assumes a bachelors degree or the equivalent.

2. Commissioned Minister and Ministry Partners Salary Recommendations

The following considerations are encouraged in addition to the basic compensation:

- a. Commissioned Ministers: Recognizing the additional theological and ministry training of the commissioned minister and the additional ministry responsibility, it is recommended that \$1,000 be added to the scale.
 - Recognizing the ministry role of the Lutheran teacher, non-commissioned teachers are encouraged to pursue a colloquy into the teaching ministry. Congregations are encouraged to provide at least ½ of the funding for the colloquy requirements.
- b. Congregations are encouraged to provide housing or a housing allowance especially for those workers in ministry leadership positions (see “housing considerations” on page 10). Church workers who live in a parsonage do not build equity in a house (equity to use when considering their next call or retirement). Congregations may help church workers address this in various ways. However, they should consult with a reliable tax person to comply with state and federal tax codes.
- c. Recognizing the self-employed ministry status of the commissioned worker the Concordia Plans and Social Security benefits sections of the Ordained worker are to be applied.
- d. It is recommended that a point value of at least ½ of the prior years of life experience be credited to the worker on the years of experience scale.
- e. Additional ministry responsibilities and time commitments are to be recognized:
 - 1) Lutheran School Principal: \$4,000
 - 2) Director of Christian Education, Director of Christian Outreach, Deaconess, Director of Music Ministry: \$2,000
 - 3) Teachers serving in roles requiring significant time commitments or responsibilities outside the classroom are to receive additional compensation (athletic director, music director, coach, etc.).
- f. The basic scale recognizes the professional training and contributions of the teacher during the school year. The scale assumes a 10 month responsibility.
 - ❖ Full-time/full-year positions are supplemented with a minimum of \$2,000

Other considerations for Commissioned Minister and Ministry Partners:

- g. Concordia Plans are to be administered fairly and consistently among all church workers, applying the guidelines of the Plan.
- h. Schools and congregations encourage the professional growth of their workers and so provide professional materials and experiences (See Professional Expenses).
- i. Faithful workers are gifts from God and are to be fairly compensated so that financial concerns are not a burden to the family or a ministry distraction.

ADDITIONAL CONSIDERATIONS FOR ALL WORKERS

3. Housing Considerations

- a. If church-owned housing is not provided for pastor or commissioned teacher or other commissioned worker, then a housing allowance which reflects the value of homes in that community (or 30% of the initial base salary amount) should be offered. It is assumed that this amount will not increase each subsequent year. An adequate utility allowance (approximately \$2,000 annually) should also be included. Local costs may dictate adjustments to these figures.
- b. IRS Resolution 5-09A permits ministers (ordained or commissioned) to claim any portion or percentage of their income as tax exempt housing allowance.

The following is a recommended resolution for establishing a housing allowance:

“RESOLVED, that (name of congregation or entity), as a Standing Resolution to remain in force and effect until such time as amended or revoked, hereby authorizes and establishes a housing allowance for each Minister of the Gospel at any time serving it, in an amount each year equal to _____ % of that person’s gross annual compensation.”

The gross income received by a Minister of the Gospel for performing functions of the ministry does not include either:

1. The rental value of a home furnished as part of compensation; or,
2. The housing allowance paid as part of compensation (to the actual amount or extent used to provide a home). However, the designation of a housing allowance must be consistent with the official and documented action taken by the governing body of the congregation, school or other entity in advance of such payments.

The IRS does not limit the amount of the housing allowance established by a congregation or claimed by a worker. The worker has the responsibility of justifying the claim on his tax returns. In other words, the worker can deduct only the actual amount spent on maintaining the home. Any other income left over would have to be reported as taxable income. Percentages can be adjusted during the year but new percentages are not retroactive. Congregations are urged not to set the housing allowance too low. This tax benefit is legal and ethical and there is no cost to the congregation by setting a higher percentage. Currently some districts have set 50% for housing allowances for workers.

A housing allowance should be designated also for workers who live in church-owned housing because it provides “before tax money” for the purchase of furniture, appliances, and the like. Please note: Some confusion may arise in the housing allowance area because these guidelines contemplate a fair value or 30% of the base salary figure for housing whereas the above recommended resolution could authorize a larger percentage of the worker’s gross compensation to be designated for housing. The point here is that part of the base salary may also be used to maintain the worker’s home (purchase of furniture, appliances, repairs, maintenance, etc.). The worker can claim that additional expense as tax-free income only if the congregation has adopted a resolution like the one above to permit such a claim.

4. Concordia Plans

The Concordia Plans are employer-sponsored benefit programs, meaning that the employer makes the decision whether to participate in the Concordia Plans for its workers. The different plan packages are as follows:

The Church's Plan which includes the:

- Concordia Health Plan (CHP)
- Concordia Disability and Survivor Plan (CDSP)
- Concordia Retirement Plan (CRP)
- Concordia Retirement Savings Plan (CRSP)

Package 2 which includes the:

- Concordia Health Plan (CHP)
- Concordia Disability and Survivor Plan (CDSP)
- Concordia Retirement Plan (CRP)

Package 3 which includes the:

- Concordia Disability and Survivor Plan (CDSP)
- Concordia Retirement Plan (CRP)

a. Plan Contributions

The employer is responsible for the full cost of the CDSP and the CRP. If the employer participates in The Church's Plan, the cost for the CRSP (to fund the employer matching contribution) is included in the retirement program rate.

The employer also must pay at least 50% of the cost for the worker-only coverage in the CHP. If the employer makes the decision to pay for all of the worker's cost or all or a part of the cost for dependent coverage in the CHP, the procedure used should be uniform and nondiscriminatory for all workers. It is recommended by the Iowa District West that congregations pay the entire cost of Concordia Plans participation (health, retirement, disability, and survivor plan).

b. Rates

A blended retirement program contribution rate is applicable for all enrolled workers and there is no longer a distinction between a "married worker" rate and a "single worker" rate. The **2010 retirement program contribution rates** are:

- i) The Church's Plan (these rates include the Basic Match portion of the CRSP)
 - (1) Full Basis Rate – 11.7% of compensation
 - (2) Regular Basis Rate – 8.7% of compensation
- ii) Package 2 and Package 3
 - (1) Full Basis Rate – 10.5% of compensation
 - (2) Regular Basis Rate – 7.5% of compensation

Explanation of Full Basis and Regular Basis

All workers enrolled in the CRP as a “new worker” on 1/1/82 or after may only participate on the Regular Basis. Workers who enrolled in the CRP as self-employed prior to 1/1/82, and whose membership and self-employed status were never considered terminated, have the option to participate on either the Regular or Full Basis. The Full Basis provides additional supplemental retirement benefits on the assumption that the worker has chosen not to participate in Social Security or enrolled in Social Security later in his/her career.

For Ministers of Religion, the monetary difference between the Full Basis rate and the Regular Basis rate (3.0% of compensation) is to be paid directly to the Minister of Religion. This is called special equalization payment. Such payment assures that all Ministers of Religion are treated equitably, regardless of whether they participate on the Full or Regular Basis. Any such payment received directly by the worker must be reported as “income” for Federal income tax purposes as well as the self-employed Social Security tax.

The **2010 CDSP rates** are:

- i) Worker with dependents – 2.25% of compensation
- ii) Worker without dependents – 1.2% of compensation.

The CHP rates vary according to plan coverage option and class of participation. Because rates may change annually, go to www.ConcordiaPlans.org to view current rate information for all Plans or call toll-free 888.927.7526.

5. Social Security Payments

a. Minister of Religion

If workers are an ordained or commissioned Minister of Religion and are classified as “self-employed,” the employer does not contribute to Social Security for them. The Minister of Religion pays the self-employed Social Security tax of 15.3% of compensation (salary, housing and utilities). Congregations are urged to pay 7.65% of the total of base salary, housing and utilities directly to the worker to assist with this additional cost of Social Security and Medicare.

b. Lay Worker

Currently the employee and employer Social Security rate for each is 7.65% of compensation.

6. 403(b) Retirement Plans

A TSA or other opportunity should be an option available to the worker. It should be the worker’s election to determine what portion of the before-tax compensation is to be so utilized.

Updated 403(b) regulations that went into effect January 1, 2009 have a significant impact on employers and their responsibilities regarding compliance and administration of 403(b) tax-deferred savings plans. In the past, employers have generally considered these plans as belonging to the individual worker; however, the IRS has made it clear in the updated regulations that the 403(b) plans are employer-sponsored plans, which means employers have oversight and compliance responsibilities.

Employers with workers who are contributing to 403(b) providers other than the Concordia Retirement Savings Plan (CRSP), are most affected by the updated regulations. Concordia Plan Services has published several resources to assist employers and workers in understanding the revised regulations and encourage employers to take the appropriate steps to be in compliance. To view information about the 403(b) regulations, go to www.ConcordiaPlans.org or call 888.927.7526.

7. Professional Expenses

a. Automobile

Travel expense incurred by the ordained or commissioned church worker in the line of duty is actually a congregational expense and should be treated as such. It is recommended that the worker record and submit to the treasurer a record of miles traveled for reimbursement at the current IRS rate (see IRS Form 2106 for current rates).

There are other methods of handling this expense, but the strong recommendation is that regardless of which method is used the travel be treated as a reimbursed business expense and not as part of the worker's compensation. This greatly simplifies the accounting process for tax purposes.

b. Professional Books, Periodicals, Seminars, etc.

As with all professionals it is essential that church workers continue to sharpen their ministerial skills and remain current with their field. A sum of money should be budgeted for the purchase of appropriate professional books and periodicals. This sum of money can also be used for one-time seminars and staff development workshops that are designed to enhance the skills and expertise of the worker. A recommended amount is \$300-\$400 per worker.

c. Continuing Education

Professional church workers should be urged to continue with a course of study after graduation. A worker does well to develop a plan of action in pursuit of an advanced degree in his/her chosen field. To that end the worker should be urged to have short- and long-term plans for continuing education for the benefit of the worker and those served. If travel is required to the learning site or institution, these costs should be covered as well as other related costs. The worker should not be expected to use vacation time for attendance at such places of continuing education. It is recommended that the congregation/school pay at least one-half of the tuition for such courses so long as the worker maintains degree requirements.

d. Sabbatical

Congregations should consider granting sabbaticals for their pastors for study or to serve in mission opportunities.

e. Conventions, Conferences and Retreats

Attendance at regular Synodical, district and circuit conventions and conferences is required and as such is a part of the congregation's expense. All costs should be covered by the congregation. This includes travel, registration, lodging and meals.

f. Pastor's Discretionary Fund

It is recommended that a small lump sum be budgeted in order to provide the pastor with the ability to make a timely response to pressing situations of which he becomes aware (such as special needs of parishioners requiring confidentiality, etc.)

8. Treasurers Manual

A **Congregational Treasurer's Manual** is updated annually by District business managers and Synod staff. It is a helpful tool for understanding the complexities of salary, benefits, and other payroll issues. It also covers congregational accounting and financial reporting. It is available on CD and on the LCMS website.

9. Vacation and Days Off

Congregations are encouraged to establish a definite policy regarding vacation and days off. The following serves as a guide:

- 0-2 years' experience - 2 weeks (2 Sundays)
- 3-9 years' experience - 3 weeks (3 Sundays)
- 10-19 years' experience - 4 weeks (4 Sundays)
- 20+ years' experience - 5 weeks (5 Sundays)

It is recommended that full-time professional church workers receive 1 and ½ days off per week and that they be strongly encouraged to take this time.

10. Miscellaneous Compensation Items

a. Moving Expenses

When a congregation calls a professional church worker it should pay all necessary and reasonable moving expenses for the worker and family.

b. Pastoral Service to Vacant Congregations

Vacant congregations should adequately compensate a vacancy pastor for services to them. A suggested level of compensation during a vacancy is one-half to two-thirds of the former pastor's salary (excluding housing and other allowances). This would cover preaching, confirmation instruction, sick and shut-in calling, and basic congregational meetings. Travel expenses, telephone calls and other costs should be assumed by the vacant congregation. Consultation with the Circuit Counselor will be helpful in determining an appropriate and adequate amount.

c. Pulpit Supply Remuneration

It is recommended that the basic remuneration for conducting one service with sermon be **\$100**. For each additional service or Bible class taught add \$50. All expenses (travel, lodging, meals) are also to be paid. Consideration for additional remuneration should be given if additional services and duties such as Bible classes are included.

d. Renewal Time (2003 District Convention Resolution)

Congregations should encourage their workers to take two weekends a year off (in addition to vacation time) with the intention of sharing quality time with family or seeking personal or professional growth.

To Provide a Financial Foundation (Worker Compensation)
RESOLUTION 3-03A

OVERTURE 3-03A (CW, p. 106 replacement)

WHEREAS, Scripture provides stewardship principles regarding those who serve in ministry (1 Timothy 5:17-18, 1 Corinthians 9:14; 1 Thessalonians 5:12-13); and

WHEREAS, The Iowa District West convention provides a compensation recommendation, and the most recent statistics indicate that Iowa District West is seventh from the bottom (35 districts) in average compensation to pastors and fifth from the bottom in average compensation to teachers; and regional (eleven Midwest districts) comparisons indicate that Iowa District West is third from the bottom in salary base; and

WHEREAS, It typically takes over 100 active worshippers to support a full-time pastor, and congregation and community demographics make financial support of workers more difficult; and

WHEREAS, Workers not receiving adequate benefits subsidize the ministry of the congregation and face personal and family financial challenges; therefore be it

Resolved, That District congregations see the District recommendations as a minimum goal for worker compensation and take action steps to meet District recommendations; and be it further,

Resolved, That District congregations consider ways to compensate their professional church workers for extra time they invest for their congregation, the community, and Christ's church; and be it finally

Resolved, That District staff and appropriate committees and task forces develop intentional strategies of congregation transition and transformation and work directly with circuits and congregations to be wise stewards of the workers and congregational resources in expanding the Gospel within our communities and throughout the District.

Action: Adopted