

**GUIDELINES  
FOR SALARIES AND RELATED BENEFITS  
FOR PASTORS AND  
COMMISSIONED CHURCH WORKERS  
OF THE  
SOUTHERN ILLINOIS DISTRICT**

Adopted by Convention  
February 25, 2006

Wording Revision  
By The  
Salary Review Committee  
November 1, 1984  
October 29, 1993  
November 11, 1999  
September 26, 2005  
February 3, 2006

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## **PREAMBLE**

Pastors and teachers are gifts from God to the people and congregations of our District (Ephesians 4:11). Implied in the term pastors and teachers are all professional workers. Our care for these workers should reflect our own high regard for the divinely instituted Office of the Holy Ministry (Galatians 6:6). All workers are due a salary comparable to their professional peers, house or housing allowance, and health, retirement, and survivor benefits (1 Timothy 5:18). Those who have demonstrated unusual faithfulness in their labors should receive extra care (1 Timothy 5:7).

Proper care for our workers means more than just financial compensation (1 Thessalonians 5:12-13). We want our workers to devote sufficient time to their personal life, lest in tending the household of God they neglect their own family to their sorrow and disgrace of the church (1 Timothy 3:4-5). To this end, the congregation, through its responsible officers, should ensure adequate vacation and weekly rest.

We further want our workers to receive emotional support as they conduct their ministry, lest they become discouraged and cease to radiate the joy of the Gospel. To this end, we should pray for them, encourage them by our words and actions, and appreciate their need to gather frequently with other pastors and teachers.

We further desire our workers to relate to the issues of the day so that, through their understanding, the witness of our congregation to the world might be winsome and persuasive. To this end, the congregation should provide time and funds for the workers' continuing education (II Timothy 2:15).

Pastors and teachers, as God's gifts to the church, will be aware of their obligations to the people and congregations of our District. They will regard themselves not as a spiritually elite class, but as workers, servants of God's people, through the ministry of the Word and Sacraments (I Corinthians 3:5).

Workers will remember that their care is not confined to financial compensation, but includes also the expressions and tokens of love and respect from congregations, its officers, and fellow pastors and teachers in order to monitor and improve their performance in ministry.

Through word and example, they shall actively encourage our youth to consider careers in professional church work wherein they have found much joy and satisfaction (Acts 16:3). Most especially will our workers give daily attention to their devotional life and humbly practice exemplary stewardship of time and talents and treasures (1 Timothy 4:12).

(We suggest that the salary committee and elders of the congregation use the above Preamble as a devotional study to be used before considering the actual setting of compensation for the workers of the church.)

## **PURPOSE**

Keeping in mind the words above, this salary guideline is designed to encourage fair and equitable compensation within the pastoral and teaching ministries on the basis of:

Years of Experience

Professional Growth and/or Formal Education

Level of Responsibility

The District's "Basic Salary Schedule" is designed to provide guidance and information to congregations wrestling with the question of what might be appropriate compensation for its professional church workers, both called and non-called. Criteria for use of this guideline include equal pay for equal work for both male and female synodically trained teachers.

## **BASIC SALARY SCHEDULE**

**Basis and Philosophy of District Scale:** A basic salary schedule, including housing, for pastors and commissioned workers is included with this guideline. The schedule also includes set percentages of the base salary for other paid workers of the congregation. It is suggested that the salaries for non-synodically trained teachers be at 90% of the salary schedule for synodically trained teachers.

Workers serving on a ten-month call or contract should be given 10/12 of the appropriate salary classification. Congregations are encouraged to consider placing all teachers on a twelve-month call after two years of satisfactory service.

**Determining "Years of Experience":** The years of experience are understood to be the period of time workers have been employed in their profession. The same years of experience credited for calculating salary should also be used in calculating vacation.

Many pastors and some teachers enter the **ministry as a second career**. They deserve special consideration when determining years of experience. Congregations should credit such a worker with at least one-half year for each full year of experience between the normal age of service (pastors normally are ordained at age 26-30 and teachers normally begin serving at age 24) and the age they begin second career church service.

## **ADJUSTMENTS TO SALARY FROM BASIC SCHEDULE**

Various adjustments to the basic salary schedule ensure that workers are treated as fairly as possible given possible variables in location and size of congregation as well as differing responsibilities.

## County Multiplier

To meet the monetary needs of the worker while taking into account the variety of income levels around the district, the base salary may be adjusted by using the **county multiplier**. This multiplier is based on the average income of the counties within the Southern Illinois District.

Bond	1.009	Jersey	1.025	Randolph	1.003
Calhoun	.997	Macoupin	1.000	St. Clair	1.018
Clinton	1.024	Madison	1.022	Union	.990
Edwards	.989	Marion	.995	Wabash	.995
Franklin	.981	Monroe	1.025	Washington	1.017
Greene	.990	Montgomery	.993	Wayne	.982
Perry	.992	White	.982	Jackson	.984
Pope	.985	Williamson	.997	Jefferson	.998
Pulaski	.981				

## Self-Employment Adjustment for Social Security Taxes

The District's "Basic Salary Schedule" is designed to provide guidance and information to congregations wrestling with the question of what might be appropriate compensation for its professional church workers, both called and non-called. Efforts were made to develop a schedule which would put church worker salaries and compensation "on par" with that of other professions requiring similar skills, education, experience, and training. As such, salary figures from the District's schedule are much like the nominal salaries of other professionals in other fields.

Unlike many other professionals, however, *called* church workers are considered "self-employed" by the IRS when it comes to calculating Social Security (FICA and Medicare) taxes, and consequently, **an additional adjustment is necessary for these workers**. When professional church workers are paid on a "contract" or non-called basis, the employee (worker) is responsible for paying one-half of his/her total Social Security tax, and the balance is paid by their employer (the congregation). For *called* (and thereby self-employed) workers, the worker pays the entire cost of the Social Security tax and the congregation (employer) pays nothing, and so the called worker bears the higher tax burden alone.

Because the District has opted to adopt a single "schedule" for both called and non-called workers, and because that schedule has not been adjusted upward to account for the impact of self-employment status for *called* church workers, **an additional amount equal to the congregation's "expected" Social Security tax liability** (currently 7.65% ... 6.2% FICA plus 1.45% Medicare) **should be added to each called worker's "base" salary**. This additional amount is considered taxable income for the called worker, and therefore it will not fully account for all the tax implications (see line E of example below); it will, nevertheless, help offset the additional tax burden associated with his/her called (self-employed) status.

Please note that congregations with contract or non-called (rather than called) teachers or workers are already paying this same 7.65% in the form of additional payroll taxes which they would not (do not) pay for called workers (unless the above adjustment has been made). The tax implications of a called worker’s self-employed status necessitate that his/her nominal salary (taken from the schedule) be adjusted up by 7.65% to insure that the “after-Social-Security-tax” incomes of both called and contract or non-called workers are similar. Besides short-changing all called workers, failure to properly adjust salaries as prescribed above may result in teachers being tempted or encouraged to labor as non-called rather than called workers, and some congregations may mistakenly conclude that non-called workers are somehow “cheaper” than called workers.

Illustrative Example:

	Called (w/ adjustment)	Non-called	Called (w/o adjustment)
(A) Base salary (from schedule)	\$30,000	\$30,000	\$30,000
(B) Self-Employment tax adjustment	+ 2,295	---	---
(C) Total “salary” (for purposes of this example)	32,295	30,000	30,000
(D) Social Security taxes paid by worker	<u>4,941</u>	<u>2,295</u>	<u>4,590</u>
(E) Worker’s “income” – after S.S. taxes (C-D)	27,354	27,705	25,410
(F) Additional payroll taxes paid by the congregation	---	<u>2,295</u>	----
(G) Total salary and taxes paid by the congregation (C+F)	\$32,295	\$32,295	\$ 30,000

**Retirement Equalization Payment**

The employer is required to pay the total cost for the participation of workers in the Concordia Retirement Plan (CRP). All workers enrolled in the CRP on January 1, 1982, or thereafter participate on the Regular Basis. Workers enrolled in the CRP prior to January 1, 1982, have the option to participate on either the Regular Basis or the Full Basis.

Employers who are enrolled in “The Church’s Plan” in 2008 will contribute 7% of the worker’s compensation for the retirement program. Employers who are enrolled in Packages 2 and 3 of the CRP will contribute 6% of the worker’s compensation for the retirement program. This is for workers who are enrolled in the CRP on the Regular Basis. Contributions for workers who are enrolled in the CRP on the Full Basis will be 3% higher for each category.

**Employers who are contributing to the CRP on the Regular Basis for a minister of religion (ordained or commissioned) are expected to make available the amount of the difference between the Full Basis and the Regular Basis rate (3%) to that minister of religion.** This special payment assures that all workers deemed “self-employed” by the Internal Revenue Service are treated equitably, whether they are participating in the CRP on the Full Basis or the Regular Basis. The difference is to be paid directly to the minister of religion (ordained or commissioned) who can use it toward purchasing other retirement benefit coverage. It must be reported as “income” for Federal tax purposes.

An employer contributing to the CRP on the Full Basis purchases a greater proportionate amount of benefits from the CRP than through the Regular Basis. This equalization payment ensures that all ministers of the Gospel are treated equally, regardless of whether they participate on the Full Basis or the Regular Basis.

**Additional Duties**

If the worker has additional duties, compensation should be increased (as a percent of starting pay at his educational level) as follows:

**Pastors**

- 0-250 communicants            0%
- 251-400 communicants        10%
- 401-800 communicants        20%
- 801-1200 communicants       25%
- Over 1200 communicants      30%
- More than one congregation   10%
- Assistant or Associate pastors: above at ½ of the congregation’s size.
- Congregations can adjust to unique situations as they see fit.
- President of District            50%
- Exec Assistant of District      50%
- See Appendices A and B for suggested remuneration for Vacancy Pastors and Pulpit Supply

**Principals**

The school principals’ leadership responsibility varies with the number of teachers supervised and their experience in leadership. The following table is to be used for determining the additional duty factor for principals:

Number of Full-Time Teachers	Total Years of Experience as Principal		
	0- 5 Yrs	6-9 Yrs	10 or more Yrs
4 or Less	10%	15%	20%
5-8	15%	20%	25%
9-12	20%	25%	30%
13 or more	25%	30%	35%

**Teachers/DCE/Deaconess**

- Athletic Director                10%
- Youth Director                    10%
- Music Director                    10%
- Additional Extra Curricular  
School Activities                5%

## **Preschool Salaries**

### **Teacher Pay**

1. Pre-school teachers' income should be based on the teacher's salary schedule. Teachers should be classified into one of the following categories, in order to reflect fairly the varying degrees of education and experience:

- Bachelor's degree in Early Childhood education - per schedule.
- Bachelor's degree with degree unrelated to EC - 90% of schedule.
- Associates degree in Early Childhood Education - 90% of schedule.
- Associates degree with degree unrelated to EC - 80% of schedule.
- Non-degree employees should be paid an hourly wage based on local market.

2. Part-time preschool teacher's salaries should be adjusted by the percentage of time they work. For example, a preschool teacher working 3 mornings a week - 30%; working 3 mornings and 3 afternoons - 60%.

### **Director Pay**

Preschool Director pay should be adjusted by an additional amount, according to the size of the pre-school.

Pre-School size - 1-50 enrollment - add 5% to base salary  
51-75 enrollment - add 7.5% to base salary  
76-100 enrollment - add 10% to base salary  
101-150 enrollment - add 12.5% to base salary  
Over 150 enrollment – add 15% to base salary

### **Aide Pay**

Aide pay should be an hourly wage based on local market.

## **Other Personnel**

Many congregations employ other personnel to support the ministry. These employees play an important role in the day-to-day activities of the congregations. The Salary Schedule includes a section for the salaries of these employees. The guidelines suggest the following percentages:

Executive Secretary/Bookkeeper	75%
Secretary/Receptionist	60%
Custodian	70%

Many of the benefits listed in these guidelines may also apply to other personnel.

## **HOUSING RELATED ISSUES**

**Housing:** The salary schedule figures include a housing allowance. Housing includes the cost of house, utilities, maintenance, etc. If congregation housing is provided, deduct 20% of the salary schedule base figure.

If a worker provides his own home and qualifies as a “minister of religion” as defined in Internal Revenue Service Regulations, the congregation should designate a portion of salary as a “housing allowance” for income tax reporting purposes. Even if a worker lives in a parsonage or teacherage, housing allowance may still be applicable.

The congregation, when reporting payments to its pastor on the appropriate Internal Revenue tax forms, should NOT include the amount of the housing/utility/or parsonage allowance in Box #1 Wages, Tips, and Other Compensation. It should be noted in Box #14, Other (See Treasurer’s Manual, Chapter 7). The amount of housing allowance must be set by the congregation taking formal action by means of a recorded resolution. Changes become effective only after the congregation has taken such action. The pastor may exclude from income only that part of the allowance that actually is used. The excess is subject to tax.

**Housing Equity Fund:** If the congregation provides a worker a home, he/she does not have the same equity as one who has an allowance to purchase his/her own home. Such a worker is “paying” a rental fee in the form of reduced income. At the time of retirement, the worker is without a home. To change this inequity, it is recommended that the congregation arrange to compensate for the worker’s loss of equity in some manner. The following suggestions are made:

- a.) The congregation should set aside 8% to 15% of the worker’s annual salary as a housing equity. This amount is to be kept under the management of the congregation, which will invest it (preferably in the Lutheran Church Extension Fund which has an IRS-approved Home Equity Program), keeping the amount plus interest in reserve for the worker.
- b.) In the event of the worker’s death, the housing equity fund shall be transferred to his/her survivor(s).
- c.) Upon purchasing a home, retiring, or moving to another parish, the entire amount plus interest is to be transferred to the worker.

### **AUTO ALLOWANCE**

Auto and travel expenses of a pastor (or other professional church worker) incurred while carrying out the duties of his office (position) are properly considered expenses of the congregation and should not be borne by the pastor (worker). Provisions should be made to provide for such expenses or to reimburse the pastor (worker) for the expenses associated with owning and operating a vehicle used in the course of his ministry. Several options may be considered, each with its own tax implications, but in all cases, the congregation should strive to keep transportation related expenses from ever becoming a burden for the pastor (worker).

At a minimum, congregations should establish a reimbursement policy for reimbursing the pastor (or worker) for business use of his personal automobile. Such reimbursement should be based on actual mileage and

expenses. Please note, the IRS establishes maximum reimbursement rates for each tax year, and reimbursements above the IRS rate must be considered as additional compensation and reported as additional salary.

Or, congregations may choose to provide the pastor (or worker) an “automobile allowance,” in addition to other pay and benefits, which is designed to cover the expected costs of providing a vehicle for use on church business. If such an “allowance” is fixed (remains constant from month to month), provisions should be made for adjusting the allowance, at least annually, to account for any changes (i.e. travel demand, fuel prices, etc.). Both the congregation and pastor (worker) should be aware of the negative tax implications of this option (such an allowance is considered taxable income by the IRS), and care should be taken to insure that the allowance is sufficient to cover all of the very real costs associated with using a personal vehicle for business related travel (insurance, depreciation, changing fuel costs, maintenance, replacement costs, etc.).

Or, congregations may wish to consider buying or leasing a vehicle for the pastor’s (or worker’s) use with appropriate provisions established for reimbursement (to the congregation) should the pastor use the vehicle for personal travel and commuting. If this option is pursued, care should be taken to ensure that the vehicle supplied is appropriate for the task, and fits the needs of both the pastor (worker) and congregation.

Regardless of which option is chosen, the pastor (worker) should be reminded of his responsibility to maintain complete and accurate records to support tax claims. Any part of a reimbursement or allowance which cannot be justified must be declared as personal income. More information regarding this may be found in Synod’s Congregational Treasurer’s Manual.

## **INCOME TAXES**

These taxes should be withheld, reported, and remitted to the IRS in accordance with IRS laws. Under these laws, income tax may be withheld for pastors and called male and female teachers, reported to the worker on Form W-2, and filed with the IRS on the appropriate forms. Remember that all called workers must pay Self-Employment Taxes as well as income taxes (see above, page 4).

## **ANNUAL REVIEWS**

Congregations should give feedback to their workers including at least one formal review each year. When this review concludes that exemplary service has occurred congregations are encouraged to reinforce such service with additional compensation as appropriate.

## **EMPLOYEE BENEFITS**

Congregations do well to provide for their workers various employee benefits to enhance the workers' quality of life. This also is part of the Christian duty of the congregation toward those who serve Christ among them. Descriptions of the various benefits follow:

### **Concordia Plan Services**

Congregations are encouraged to enroll and support their professional church workers in the Concordia Plan Services of our Synod. While these plans are a significant expense to the congregation, they do provide the utmost protection of the worker and his family for health care, disability and retirement. The Concordia Plan Services require the congregation to pay the full amount of the premium for the Retirement, Disability and Survivor Plans. We strongly encourage congregations to pay 100% of the health plan premium for the worker. We also highly recommend that the employer establish a policy to pay for all or part of the cost for dependents' coverage. In accordance with Concordia Plan Services policy and Federal law, the employer must be consistent and non-discriminatory for all workers when creating such a policy. Additional information can be obtained at [www.concordiaplans.org](http://www.concordiaplans.org) or by calling toll free, 1-888-927-7526.

### **Retirement Savings Plans**

Congregations should support a worker's desire to participate in a tax sheltered annuity or other pre-tax retirement savings plan available to church workers (e.g. Concordia Retirement Savings Plan). The Concordia Retirement Savings Plan will be available in 2006 to all who sign up for "The Church's Plan," the recommended package of Concordia Plan Services.

### **Church Conference and Expenses**

The workers should be allowed the time required, with pay, to attend church-sponsored meetings and conferences and should be reimbursed in full for registration fees, travel and living expenses incurred in attending such meetings.

### **Professional Growth**

The congregation should encourage its workers to attend professional growth courses and other training. This would include time off without loss of pay or vacation time and some financial assistance toward the cost of the training. The congregation may also wish to budget a nominal sum for the pastor's purchase of theological books and other such expenses.

## **Vacations**

Congregations are encouraged to establish a definite policy regarding vacations, such as the following:

0-4 years of experience -	2 weeks vacation
5-9 years of experience -	3 weeks vacation
10-19 years of experience -	4 weeks vacation
20 & more years of experience -	5 weeks vacation

A week is seven consecutive days. Years of experience should be determined as described in “YEARS OF EXPERIENCE”, page 3. The Board of Elders or the School Board should encourage the worker to take the appropriate time off for vacation.

The congregation should honor the worker’s day off. Attendance at conferences or district meetings is not to be part of day off activities. It is important that the day off occur, as it is necessary for the health of both the worker and their family.

## **Sick Leave**

It is recommended that sick leave be granted in accordance with the Concordia Disability and Survivor Plan, that is, fourteen (14) calendar days per year. [For schools this would be equivalent to ten (10) working days with the option that two (2) of those days may be used as personal time]. Up to a maximum of 30 days sick leave may be carried over to the next year with no monetary reimbursement for unused days. The use of accumulated sick leave shall be coordinated with the Concordia Plans.

A Professional Church Worker, who becomes ill at the beginning of their ministry without having accumulated sick leave, may be advanced sick leave in anticipation that advanced days will be earned later in the year.

The Concordia Health Plan encourages preventive health care and provides an allowance for an annual physical examination. Your congregation is encouraged to insist that your workers avail themselves of this benefit and may, if necessary, supplement the allowance to insure ongoing preventive health care for your workers.

## **Emergency Leave**

To cover special cases of emergency leave, such as death in the immediate family, a congregation may grant special leave at the discretion of the governing Board.

It is recommended that workers be allowed leave with pay at the time of a death in their immediate family or household. (Immediate family, for the purpose of these guidelines, includes father, mother, brother, sister, husband, wife, child, grandchild, grandparents, father-in-law, mother-in-law, or any related person residing in the home of the worker). Leave for a death in the family should be granted for a period of 3 working days at full pay. The congregation’s governing board may grant extensions. Emergency leave should not be counted as a regular day off or as part of vacation, sick leave, or personal leave time.

## **Anniversary and Retirement**

Anniversary and retirement celebrations are for the purpose of demonstrating appreciation to those workers with a certain number of years of service to the church. These guidelines are to help promote consistency for the proper recognition of the faithful services of our church workers by virtue of their dedicated service to the LC-MS and the congregations they serve.

1. The congregation should appoint a Recognition Committee to acknowledge the milestones in the career of the worker: Anniversaries (10, 25, 35, or 40 years in the profession) and Retirement. Suggestions for the committee include:
  - a. The committee should plan a reception for the worker, inviting family and colleagues from the area. The committee should also notify the District President and former congregations of the worker.
  - b. The committee may arrange for a gift for the worker. A suggested gift for a 25 year anniversary is 1/2 a month's salary of the worker. A suggested gift for retirement is one month's salary of the worker. Gifts for other anniversaries and milestones are appropriate.
2. Each year, the workers should be recognized by the congregation. This recognition should be scheduled on a selected Sunday each year.

## **Appendices**

### **Appendix A – Vacancy Pastors**

In the Southern Illinois District it has been customary for a vacancy pastor to be compensated at ½ of the previous pastor's salary, plus mileage (IRS rate – 40.5 cents per mile in 2005), if he is a neighboring pastor who has added all the responsibilities of the vacant parish (including Sunday morning) to his responsibilities in his present parish. If the vacancy pastor is responsible for all the pastoral needs of the vacant parish except for preaching and teaching on Sunday morning, he should receive ½ the previous pastor's salary less the cost of the Sunday morning pulpit supply (See Appendix B).

In circumstances where this is not practical for the vacant congregation, other arrangements may be made. For instance, if the vacancy pastor is expected to provide one day per week of service at the vacant parish (in addition to Sunday morning), he should be paid \$100.00 for each day set aside to fulfill the responsibilities of the vacant parish. Example: The vacancy pastor is a retired pastor who sets aside one day per week, plus Sunday morning – He should be paid \$100.00 per week, plus mileage, plus the appropriate remuneration listed in Appendix B.

In all cases, the vacancy pastor should be reimbursed for his automobile expenses at the IRS rate (40.5 cents per mile in 2005).

Where the vacancy pastor functions full time as the full time pastor of the vacant congregation, he should be paid a full time salary, plus benefits, plus mileage.

Under the direction of the District President, the Circuit Counselor will work with a newly vacant congregation (through its Elders/Council, subject to Voters' approval) to make these arrangements with a vacancy pastor by mutual consent. Normally it is helpful to draw up a written document stipulating the responsibilities of everyone involved. If the vacancy pastor is pastor of a neighboring congregation, he must have the permission of his present congregation to serve as a vacancy pastor.

### **Appendix B – Pulpit Supply**

“Pulpit Supply” covers those situations when a pastor is temporarily absent from his pulpit due to vacation, illness or other time off. In addition, this schedule is to be used when a pastor covers Sunday mornings while another pastor serves as vacancy pastor covering all the other day-to-day responsibilities of the vacant parish (See Appendix A). This schedule should also be used as a guide for congregations setting the remuneration of guest mission speakers, etc.

Please note that the following guidelines list minimum remuneration for guest pulpit supply.

One Service	\$ 75.00
Two Services	\$125.00
Bible Study	\$ 50.00/hour
Mileage	IRS rate (2005 - \$.405 per mile)
Lodging and Meals	Paid if an overnight stay is required.