

Elements of an Approach to Conducting “Compensation Conversations” for adaptation and use by congregations¹

A. Preamble

In order to advance God’s purposes and build faithful partnerships between our faith community and its staff, this congregation commits itself to making decisions about staff compensation in ways that

- members and church staff persons are cherished as partners and servants of God, and
- God’s mission flourishes and all areas of the congregation’s ministry thrive.

B. Process

Compensation recommendations should be formulated and revised in small group settings that allow for careful conversation, adequate research and respect for the privacy of staff persons. This congregation will strive to avoid making major revisions in compensation proposals during the annual meeting or any other congregational meeting.

In this congregation, compensation planning will be conducted on an annual basis in the following manner:

- The elected congregational body responsible for staff oversight² will, from within its own membership, appoint 2 members to a Compensation Conversation Team (hereafter referred to as “the Team”) to work with each staff member. Duties of the team are described in section C. of this document.

- The Team will, on an annual basis, develop a compensation package for each church staffer. The timetable for developing this package will depend upon the way the congregation builds its budget in preparation for the annual meeting. Normally the compensation conversation process should commence at least two months before the proposed budget is given to the congregation for consideration at the annual meeting.

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² This could be the congregation council, executive committee, personnel committee, lay ministry board, etc.

- The manner in which the compensation package proposed by the Team is subsequently approved will vary from congregation to congregation. Each congregation should spell out which elected groups in the congregation must approve the compensation package before it is included within the parish budget proposed to the annual meeting.³

C. The Compensation Conversation Team

1. The Team shall consist of 2 members of the elected congregational group with responsibility for staff oversight. It is recommended that at least one of these persons shall have served on the Team previously.
2. Members of the Team shall be
 - active, supportive members of the congregation;
 - respected by the congregation and trusted by staff members;
 - committed to the congregation’s vision for compensation planning.

It may also be helpful if at least one member of the Team has experience in compensation planning, e.g. participation on a school board, non-profit agency board, etc.

3. Members of the Team should be thoroughly acquainted with the synodical compensation guidelines. They should, in particular, have a working knowledge of the factors that go into *clergy* compensation planning.
4. Members of the Team commit themselves to discretion and, in certain circumstances, strict confidentiality regarding information gained in conversations with staff members.
5. The Team will meet at least two times each year with every staff member—preferably at a time different from the time when staff member’s ministry is being reviewed. On the basis of these conversations the Team will make compensation proposals for consideration by appropriate elected congregational leadership groups and the annual meeting of the congregation.
 - f. The *first conversation* will be *informal and open-ended*. Team members will meet for at least one hour with each staff person. During this conversation, topics such as those that follow might be considered:

³ Out of respect for the privacy of church staff persons, the congregation may wish to list compensation items in the parish budget in ways that do not make public the details of an individual’s compensation package. For example, all staff salaries could be totaled and listed together, all staff continuing education allowances could be totaled and listed together, etc. The council could still provide a means whereby members of the congregation can have their questions about details of compensation packages responded to in appropriate ways by designated congregational leaders.

- a review of the current compensation package
- a review of the staff person's ministry (position) description
- consideration of *extraordinary* financial concerns of the staff person—including educational debt load and obligations to family members, suppliers, creditors, etc.
- consideration of the financial condition and potential of the congregation
- discussion of cost-of-living factors in the community
- examination of the synodical compensation guidelines
- a review of information from the staff review process of the congregation
- conversation about other factors deemed pertinent by members of the Team or the staff member.

By the conclusion of this initial meeting, the Team and staff member should develop a *preliminary compensation proposal* for the staff person in the coming year.

- b. Following the first conversation, the Team should bring the preliminary proposal before other elected leadership groups in the congregation, in keeping with the process the congregation uses to develop its annual operating budget. Preliminary discussion, but no binding decisions, should take place. On the basis of these contacts, possible changes in the preliminary proposal may be surfaced.
- c. The Team will then schedule a *second conversation* with each staff person. This conversation will, in contrast to the first conversation, be more *focused and task-oriented*. Team members will share with the staff person reactions to the preliminary proposal from other parish leadership groups, along with any changes in the proposal that have been suggested. Opportunity for response by and additional input from the staff person will be given. The goal of the second conversation is to produce a *final compensation proposal* that will (a) be acceptable to the staff person and (b) be able to garner support from elected congregational leaders.
- d. Once each staff person's final compensation proposal is determined, members of the Team should be prepared to explain and defend the proposal until it receives all necessary approvals.
- e. Occasionally it may be necessary to amend a staff person's compensation package during the course of a year. Normally, the same Team that worked with the staffer in putting the original compensation package together should be involved in the amendment process.

D. Resources

In addition to other materials it finds helpful, the congregation's Personnel Committee should have available to it, on an annual basis, the following resources:

Latest issue of the Southwestern Minnesota Synod Compensation and Benefits Guidelines for Clergy, rostered Lay Leaders, and Other Church Staff. This is available on the synod website www.swmnelc.org or in the 2004-2005 Handbook of the SWMN Synod.

Latest issue of Compensation Planning for Pastors and Associates in Ministry (Augsburg

Fortress/ELCA Distribution Service, code 69-2322).

Latest issue of The Compensation Handbook for Church Staff by the Church Law & Tax Report (Christian Ministry Resources, Matthews, NC).

Appendix: Considerations for Compensation Conversation Teams
by Pastor Larry Wohlrabe

As they meet and work with each staff member, it will be helpful if members of the Team keep in mind the following considerations:

- d. Compensation conversations are needed in this congregation *every* year. If for example, it is anticipated that the congregation will not be offering any increase in compensation that is NOT a sign that conversation with church staff is unneeded. On the contrary, that is EXACTLY when the situation demands caring, compassionate conversation.
- e. The tone and quality of conversation surrounding compensation matters may be as important as the substance or outcome of such conversations.
- f. It is helpful if, before starting their work on the Team, members reflect on their own thoughts and feelings regarding compensation matters. How does each Team member feel about his/her own compensation for the work that he/she does? What “baggage” might the Team member bring with him/her that is helpful or unhelpful to the work of the Team? What assumptions do Team members carry into the conversation? Which of those assumptions are fair? Which are unfair?
- g. Also, before starting their work on the Team, members should familiarize themselves with the various components of compensation packages in the church. Each team member should be aware of the ways in which one part of a compensation package affects other parts of the package (e.g. changes to base salary affect contributions to the ELCA Board of Pensions). Base salary, housing (for clergy), benefits, reimbursements, time off, in-kind compensation, etc. should all be carefully distinguished from each other.

It will be especially helpful if all members of the Team have read the current copy of the synod’s compensation guidelines. Team members should have available to them other compensation planning tools (see Resources, on page 3).

- e. In the church, compensation always includes much more than dollars and cents. In addition to salaries, congregations provide compensation in the forms of *in-kind* compensation (e.g. a parsonage), *time* (e.g. vacation and study leaves), and *benefits* whose monetary value may only become apparent in the future (e.g. modest contributions to a TSA or the ELCA Pension Plan). Sometimes a staff person might see the gift of extra time off (e.g. two extra weekends off per year) as having a “value” that is greater than additional salary. What sort of “trade-offs” might the staff person and Team wish to consider?

- f. All members of the Team should have a thorough understanding of the ways in which *clergy* compensation packages are unique. The two factors that are most pertinent in this regard are (a) the status of clergy as employees for income tax purposes but self-employed for FICA, and (b) the tax advantages available to clergy in terms of housing.
- g. The Team should distinguish between (a) the congregation's total annual cash *expenditure* on a staff person's compensation package and (b) the precise manner in which the staff person might wish to *receive* that amount. Allow staff members—especially clergy—to make creative, full use of tax planning techniques in “packaging” their compensation.
- h. The Team should bear in mind both the short-term and long-term effects of compensation planning for church staffers. For example, if a clergy person is required by the parish to live in a parsonage, how might the congregation help the clergy person build up equity for purchase of an eventual retirement home? (Answer: offer a housing equity allowance.)