

**DCE/DCO/Deaconess
Compensation Guidelines
Minnesota South District
The Lutheran Church—Missouri Synod**

**Current Rate
Effective July 1, 2010—June 30, 2011**

**Base Rate: \$33,976
IRS Rate Per Mile: \$.50**

**Revised
July 2010**

This guide will remain in effect until superseded. It is designed for use over a period of years. If you are not sure this is the most current issue, call the District Office at 952-223-2156.

General

The Guidelines update the base numbers for the 2010-2011 period.

Congregations are encouraged not to reduce other benefits such as the Concordia Worker Benefit Plans. While these plans are a significant expense to the congregation, they do provide to your worker the utmost for health care and provide a retirement plan that is supplemental to what Social Security offers.

Introduction

This guideline is for use by congregations and their salary committees. Copies should be made for the committees responsible for setting salaries, and originals filed for future years. It should not be construed as a mandatory set of rules, rather as recommendations to assist congregations in deciding issues which are common to all DCEs and congregations. **(Wherever DCE is used it also applies to DCO and Deaconess.)**

Preparation

Communication is vital. A salary review committee appointed by the congregation should annually discuss compensation issues with all its workers. The goal is to discover feelings and issues that need addressing and to assure that needs are being properly met.

Scripture has clear words of instruction for us in matters pertaining to the compensation of church workers (I Thessalonians 5:12-13; I Timothy 5:17; Galatians 6:6). The review committee and the congregation should know and understand this counsel. From these passages it is evident that we must treat those who labor in our midst with loving care and respect. Also it is evident that good work deserves good pay. Therefore the matter of merit should receive serious attention. Talk pieces to discuss finances and job satisfaction are included in this mailing.

How to Use This Guide

This document is linked with two other compensation guidelines, one for DCE/DCO/Deaconess and another for teachers. All three share a Common Base Rate for determining salary. This number is used in connection with a multiplier table to arrive at the desired compensation. Usually only two numbers will change each year, the Compensation Base Rate and the mileage rate as set by the IRS. These numbers are found at the top of the page.

This guide divides the compensation into four groupings.

Base Compensation Group:

- Salary
- Housing & Utilities

Supplemental Income:

- FICA (Social Security) reimbursement
- TSA (Tax Sheltered Annuities & IRAs)
- Home Equity Support

Supplemental Benefits:

- Health, Survivor and Retirement Plans
- Vacations
- Sick Leave

Professional Expenses:

- Car Allowance
- Books
- Continuing Ed, Conferences

Base Compensation

A. Scale

This scale includes all the items in the Base Compensation list: salary and housing/utilities. FICA reimbursement, TSAs/IRAs, and home equity support are supplemental income and will be explained later. Should the DCE have one of the special compensation items, for example, a home equity support, the amount contributed to that fund should be included in the sum total of the Base Compensation calculated in the scale below.

A DCE with prior experience as a church worker, for example as a teacher, should be given credit for those years as well. A second career DCE should be given credit for maturity and experience gained outside the church. It is recommended that credit be given for one year's experience for every two years beyond chronological age 30.

Multiply this year's Base Rate by the correct multiplier found in the table below.

BASE SALARY

Experience	Multiplier	Experience	Multiplier
0	1.100	21	1.628
1	1.135	22	1.629
2	1.171	23	1.631
3	1.207	24	1.632
4	1.242	25	1.633
5	1.278	26	1.634
6	1.313	27	1.635
7	1.348	28	1.636
8	1.385	29	1.637
9	1.420	30	1.638
10	1.455	31	1.639
11	1.484	32	1.640
12	1.512	33	1.641
13	1.538	34	1.642
14	1.561	35	1.643
15	1.584	36	1.644
16	1.593	37	1.645
17	1.600	38	1.646
18	1.609	39	1.647
19	1.618	40	1.648
20	1.627		

B. Adjustments

After arriving at a base salary from the table at left, add or subtract the following:

- Housing and Utilities:* The base salary includes a housing allowance. If a house and utilities are provided, subtract 28.5% (or multiply the number by 0.715).
- Regional Economic Adjuster:* To allow for cost of living variances around the state, multiply the base salary by a number between 0.9 and 1.1 depending on the per capita income in your county. Look up your county in the table below and use the index number given as your multiplier.

CTY	IDX	CTY	IDX
Anoka	1.06	Mower	1.02
Blue Earth	1.04	Murray	0.94
Brown	1.02	Nicollet	1.02
Carver	1.10	Nobles	1.00
Cottonwood	0.98	Olmsted	1.10
Dakota	1.10	Pipestone	0.94
Dodge	1.00	Ramsey	1.10
Faribault	0.96	Redwood	1.00
Fillmore	0.96	Renville	0.98
Freeborn	0.96	Rice	0.98
Goodhue	1.06	Rock	0.98
Hennepin	1.10	Scott	1.10
Houston	1.02	Sibley	0.92
Jackson	0.96	Steele	1.08
LeSueur	1.02	Wabasha	1.02
Lincoln	0.90	Waseca	0.98
Lyon	1.06	Washington	1.10
McLeod	1.04	Watonwan	0.96
Martin	1.00	Winona	1.00
Meeker	0.96	Wright	1.02

- Example:* DCE Jones has 10 years experience, is not furnished housing, serves a congregation located in an area with a per capita income of \$18,000.

Step 1: (Base salary): ¹ \$31,247 × 1.455 (10 yrs) = \$45,464
 Step 2: (Regional Economic Adj): \$45,464 × 1.02 = \$46,373

The numerical salary recommendation is \$46,373. Proceed now to sections C & D for further review before finalizing the recommendation.

- Master's Degree:* A 5-10% increase in the base is recommended for each earned degree beyond a BA.

¹ The base salary changes each year with inflation—this particular number is used for illustration purposes only.

C. Merit Consideration

Determining the DCE's compensation should not be done solely by table "lookup". That should be the starting point. It should be expected that the incumbent's final compensation may vary as much as ±15% from the table "lookup" depending on a number of circumstances. Performance and effectiveness should be considered. Also, consider the role being served by the DCE in this particular parish. Often the DCE's role is influenced by the special gifts of the individual. Such consideration can have a significant bearing on the scope of responsibilities placed on the incumbent.

D. Recommended Procedure

The following step by step procedure is recommended:

Step One: Make sure a job description exists, is understood and agreed to. An annual performance appraisal should be conducted and the results discussed with the DCE. This should normally take place 6 months before the salary review.

Step Two: Interview the incumbent and determine if housing needs are being met, repairs are being made when needed, and any special financial concerns are aired. This would be the time when matters such as housing equity support, auto allowance and other special considerations are discussed.

Step Three: At the time when the salary decision is made, determine where the DCE is in relation to the table. Determine what increase would be indicated.

Step Four: Make the required adjustments per section B.

Step Five: With the foregoing steps completed take into consideration the incumbent's overall effectiveness and impact on the parish ministry and let that assessment influence the final decision. Use the *Salary Increase Weighting Chart* in the next column as a guide.

Step Six: Finalize with committee discussions.

Step Seven: The committee should now make its recommendation to the congregation, advising how it compares with the guideline and the reason(s) for any variance, be it above or below the guideline.

Salary Increase Weighting Chart

(Apply the % to the DCE's present base compensation)

% Factors

10	Effectiveness is high, or Present salary is low vs. guidelines, or Combination of both
9	
8	
7	Effectiveness is normal, and Present salary is near the guidelines
6	
5	
4	Effectiveness is low, or Present salary is high vs. guidelines, or Combination of both
3	
2	
1	
0	

When the final number is decided, it will be the number that corresponds to the Base Compensation Group referred to on the front page. Decisions must now be made on how this number is apportioned. Let's say, for example, that last year's compensation was \$28,000 and an increase of 5% is recommended. The new number would be increased by $\$28,000 \times 0.05 = \$1,400$. This \$1,400 must now be divided between salary and housing allowance (or IRA or other cash equivalent compensation).

E. Tax Sheltered Annuity or IRA

A TSA or IRA should be an option available to the DCE. It should be the worker's election to determine what portion, if any, of the before-tax compensation should be so utilized.

F. FICA (Social Security)

DCEs are required to enroll. As "self employed" people they are accountable for the entire cost. If the DCE is on the regular (off-set) basis of the Concordia Retirement Plan, **the congregation is required to reimburse the DCE the difference between the Regular Basis and the Full Basis.** DCE's on a Full Basis do not receive this additional payment since the congregation is contributing a larger amount to the retirement plan on the Full Basis. When either of these reimbursements is made, that amount is considered taxable.

G. Home Equity Support

In prior years the MNS District encouraged congregations to provide a Home Equity Plan (HEP) when a home was provided for the worker. This provided a way to have the worker save for a house on a tax-deferred basis. However, significant changes in the federal law now make this illegal and all congregations had to stop this practice as of December 31, 2004. Previously deferred HEP funds (on or before December 31, 2004) and earnings on these funds are unaffected.

The congregation can still provide to the worker additional annual compensation which the worker can deposit in a tax-sheltered annuity, a traditional IRA, or a Roth IRA.

Another option would be for the congregation to increase the salary of the worker by an amount equal to the former home equity contribution.

Supplemental Benefits

A. Concordia Plan Services

The LCMS Concordia Plan Services consist of the:

1. Concordia Health Plan (Medical/Dental) (CHP)
2. Concordia Disability and Survivors Plan (CDSP)
3. Concordia Retirement Plan (CRP) or
4. The Church's Plan

The congregation is responsible for all payments to the Retirement and Disability and Survivors Plans.

When the worker is enrolled in the Concordia Retirement Plan on the Regular (off-set) Basis the congregation is required to pay the worker the difference between the Regular Basis and the Full Basis, so that this amount can be applied by the worker to his FICA payments. If the congregation is already helping the worker with the FICA payments, this reimbursement should not be made.

Examples:

Married worker with Housing Allowance
(Salary + Housing Allowance) × 3.0%* = Offset

Married worker in Parsonage/Teacherage
(Salary + Furnishing/Utility allowance + 25% of Salary)
× 3.0%* = Offset

Single worker with Housing Allowance
(Salary + Housing Allowance) × 2.3%* = Offset

Single worker in Parsonage/Teacherage
(Salary + Furnishing/Utility allowance + 25% of Salary)
× 2.3%* = Offset

* 2006 rates. Any change in rates will be found in the annual Compensation & Benefit Guidelines of the Concordia Retirement Plans sent annually to the congregation treasurer.

It is recommended that the congregation pay for health care coverage for the entire family.

Detailed information on the Concordia Plan Services can be obtained by calling the Concordia Plan Services Office in St. Louis: 1-888-927-7526.

B. Vacation

The congregation should have a documented policy covering all workers. The worker should be encouraged to use his/her allotted time for the benefit of his/her ministry, his/her personal health, and the welfare of his/her family.

The following schedule of vacation time is recommended.

<u>Total Years of Church Service</u>	<u>Days of Vacation</u>	<u>No. of Sundays Included</u>
1-10	21	3
11-25	28	4
Over 25	35	5

C. Sick Leave (Short Term)

While it is not the purpose of the Salary Compensation Guidelines to set the congregation's Personnel Policies, it should be acknowledged that providing for time-off due to illness is in the best interest of the congregation by protecting the health of your workers. Without such days, there is a risk of having your worker attempting to carry out responsibilities while seriously ill. It is suggested that sick leave be granted in accordance with the Concordia Disability and Survivor Plan, that is, fourteen (14) days per year. After fourteen days of illness, the Concordia Disability Plan provides wage replacement.

Professional Expenses

A. Tax Laws

Recent tax laws require a closer accounting of expenses. Congregations should consider changing to a reimbursement system for professional expenses rather than provide an allowance.

B. Automobile

The DCE is required to account to the IRS for auto allowance income. Increasing auto allowance in lieu of increasing his/her base salary does not improve his/her tax liability. **A preferred method is to operate on a reimbursement plan** whereby the DCE records his/her mileage and submits a periodic request for reimbursement at the current IRS cents per mile rate. This IRS rate is provided to you each year via the Compensation Advisory Letter. Should you not have the current number, you may obtain it by calling the IRS at 1-800-829-1040 or the District Office at (952) 223-2156.

The IRS rate is quoted in “cents per mile”. When multiplied by the miles actually driven the resulting amount may be deducted from income. This amount covers all costs to replace, repair, insure and operate an automobile.

If an auto allowance is granted by the congregation, in lieu of a reimbursement plan based on actual miles driven, the worker is required by law to report the mileage accrued for “business” related travel. If the actual mileage experienced is below the granted auto allowance, the excess must be reported as regular income.

C. Books, Periodicals, and Continuing Education

A sum should be provided in the church budget for these purposes. A recommended amount is \$600. This is not added to the DCE’s compensation but held in account until needed. The DCE should be encouraged to have an annual plan for continuing education for his/her benefit and the benefit of those he/she serves. Travel costs should be covered, as well as tuition and related costs. The DCE should not be expected to use his/her vacation time for this purpose.

D. Conventions, Conferences, and Retreats

These are part of church business and the costs should be covered by the congregation. This should include travel, lodging, meals, and registration. This should be

an allowance, the amount of which should be determined in consultation with the worker.

NOTES: