

Definition of Compensation and Benefits for Rostered Ministers

Sierra Pacific Synod • Evangelical Lutheran Church in America

1. APPROPRIATE COMPENSATION

Rostered ministers (pastors and deacons) are not always paid what they should be paid. While that may seem harsh, it is true for the vast majority of the congregations of the Sierra Pacific Synod. Certainly, average compensation has increased over time, but there are many rostered ministers who receive minimal pay for maximum workloads. Rostered ministers are professionals. They bring to the church and specialized ministries their gifts, training and energy, and should be compensated according to their education, ability and responsibility, and in line with the incomes of professionals in comparable positions. They should be able to provide for their own economic needs and those of their families.

At the same time, a congregation or specialized ministry deserves to be served by its professional ministers in a manner consistent with the spirit and letter of the call. Mission, programs and expectations must be clearly delineated if rostered ministers are to be held accountable for their service. A Congregation Council or specialized ministry governing board is expected to review annually the mutual ministry expectations of the ministry and its professional ministers, as well as compensation packages, to determine that realistic expectations are understood and adequate compensation is provided for the services performed.

It is helpful to remember that the process for determining compensation is a process which must be marked by openness, honesty and graciousness. Both professional ministers and ministry representatives, whether the Congregation Council, a staff support committee, or personnel committee, should articulate their needs clearly and develop a regular ministry evaluation process to report changes in those needs as program directions change or as the rostered minister's skills or needs change. These needs would be standards and details of the rostered minister's performance on the one hand and a reasonable compensation level on the other.

Though no guidelines, however carefully crafted, can give congregations or specialized ministries automatic, concise and simple answers to what are inherently complex issues, following the criteria set forth in the current Clergy Compensation Worksheet will be helpful in compensation discussions.

While the specifics of these guidelines apply only to rostered ministers, the principles apply to other church workers. Secretaries, custodians, choir directors, organists, teachers and others also deserve fair compensation, and the responsibility of the congregation to these persons is no less than to the rostered minister.

A **MINIMUM** guideline for compensation (salary + housing) is established in the annual Compensation Worksheet, in which the Baseline Compensation amount is established each year by action of the Synod Assembly. This tool is intended to make it easier for congregations and specialized ministries to understand appropriate compensation for their rostered ministers. If your ministry provides a house, the minimum guideline should be divided by 1.3 to account for the value of the housing provided.

If current compensation is below a level agreed to be fair, moving to a level of adequate compensation may involve patience on the part of rostered ministers as a ministry works to achieve that goal. It will also involve a ministry's determined effort in stewardship and education to reach that level. Finally, adequate and fair compensation encourages good morale on the part

PLEASE NOTE: The Sierra Pacific Synod cannot provide specific tax or legal advice to rostered ministers, congregations or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations and specialized ministries.

of professional ministers and the congregation or specialized ministry as they work together to do ministry and mission in the name and spirit of Jesus Christ.

Congregations or specialized ministries that are below the appropriate compensation guideline should intentionally plan to reach the guideline within a set period of time. For example, if the compensation is 10% below the guideline, the ministry might make the commitment to increase the rostered minister's salary by 6% - 8% per year for three years to reach the appropriate compensation guideline three years hence.

If the congregation or specialized ministry is already above the appropriate compensation guideline, a cost of living increase equivalent to the CPI-W for the West Urban United States should be considered (<http://www.bls.gov/news.release/cpi.t06.htm>), since the failure to provide a cost of living salary increase is, in effect, a salary cut. In addition, merit increases should be considered for all rostered ministers.

2. HOUSING ALLOWANCE FOR ROSTERED MINISTERS

(Adapted from ELCA Churchwide Human Resources)

Please note: Portico Benefit Services (formerly ELCA Board of Pensions) provides an overview of Housing Allowance and a helpful worksheet at:

<https://employerlink.porticobenefits.org/Home/Resources/ClergyHousingAllowance.aspx>

Ordained ELCA ministers called to congregational or specialized ministries may designate a portion of their compensation as a "housing allowance."

This is a significant tax advantage giving rostered ministers the ability to exclude from federally taxable income that part of compensation that is used to provide a home (Internal Revenue Code section 107). Please remember that this is not an exclusion for income used in determining Social Security or SECA tax obligations.

What kind of expenses can be used when calculating the housing allowance exclusion?

- Mortgage or rent payments
- Real estate taxes
- Property Insurance
- Down Payment on a home
- Utilities
- Furnishings & Appliances (purchase & repair)
- Remodeling & repairs
- Yard maintenance & improvements

How much of a rostered minister's compensation can be used as the Housing Exclusion?

Only the **lowest** of the following can be used when the rostered minister files his or her federal income tax return:

- The fair rental value of the home
- The amount actually spent to provide a home
- The amount officially designated as the housing allowance

PLEASE NOTE: The Sierra Pacific Synod cannot provide specific tax or legal advice to rostered ministers, congregations or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations and specialized ministries.

How is the Housing Allowance declared?

- It should be authorized in writing every year by the Congregation Council or governing board of a specialized ministry, **prior** to the payment of the housing allowance
- It should be in advance of the calendar year or in advance of a new rostered minister starting employment (if a rostered minister fails to designate an allowance in advance of a calendar year, he or she should do so as soon as possible in the new year; the allowance will operate prospectively, never retroactively)
- The form below can be used to designate the housing allowance

How is the Housing Allowance handled on the W-2?

The housing allowance amount is always excluded from federal income. This means that the congregation or specialized ministry excludes this amount from Box 1 of the W-2. The amount will, however, be entered in Box 14 of the W-2, which is merely an information item. A rostered minister should always check with her or his own tax advisor for personal questions or concerns about the housing allowance or other tax issues.

Designation of Housing and/or Furnishings Allowance by Congregation Council

Upon motion duly made and seconded, it was voted to designate \$_____ of the cash salary for 20___ to be paid to the Rev. _____ as a housing/furnishings allowance in response to the rostered minister's request and acknowledgment that the allowance so designated does not exceed the fair rental value of his/her home, furnished, plus the cost of utilities (or the fair rental value of the furnishings where a parsonage is provided). Therefore, cash salary shall be \$_____ and the housing allowance shall be \$_____.

Signed by an officer of the Congregation:

_____ Date: _____
Signature *Title*

Signed by the rostered minister:

_____ Date: _____
Signature

(This resolution should be included in the minutes of the Congregation Council prior to January 1 of each year. A copy should be made, signed and titled by the President or Secretary of the congregation, and given to the rostered minister(s) for her/his records.)

3. MINISTRY-PROVIDED HOUSING (PARSONAGES)

Please note: Portico Benefit Services (*formerly ELCA Board of Pensions*) provides an overview of tax issues for ordained rostered ministers living in church-provided housing and a helpful worksheet at:

<https://employerlink.porticobenefits.org/SupportCenter/Contacts>

PLEASE NOTE: The Sierra Pacific Synod cannot provide specific tax or legal advice to rostered ministers, congregations or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations and specialized ministries.

Where a congregation provides a parsonage, the congregation should assume all costs for maintenance, heat and utilities. The congregation may pay these costs directly or give an allowance to the rostered minister sufficient to cover the expenses. In addition to these costs, the congregation should provide and maintain major appliances in the parsonage.

While living in a parsonage has many advantages, it does not build home equity for retirement. If a parsonage is provided, the congregation is encouraged to provide the rostered minister an annuity for future housing needs. For this purpose, the congregation may want to establish a "Housing Equity Account." It is helpful for the congregation to pay directly to a tax deferred plan which delays the income tax due until the funds are actually withdrawn for use; this can be done by making additional employer contributions to the ELCA Optional Pension Plan. However, the congregation may choose another annuity vehicle, in which case the form below can be used. It is recommended that these contributions total at least 3% of the defined compensation (Salary & Cash Value of Parsonage).

When housing is provided for a clergy couple, a 30% housing allowance for each spouse must be included when calculating defined compensation for Portico Benefit Services (*formerly ELCA Board of Pensions*). This will ensure sufficient retirement contributions are made to each spouse's account.

(This space intentionally left blank)

PLEASE NOTE: The Sierra Pacific Synod cannot provide specific tax or legal advice to rostered ministers, congregations or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations and specialized ministries.

Housing Equity Allowance Agreement

(This form is for use when contributions to a housing equity allowance are not made by the congregation to the member's ELCA optional pension plan. When payments are made to the ELCA optional pension plan, the congregation uses the forms presented by the fund custodians.)

At a properly called meeting of the congregation of _____ Lutheran Church, held on _____ and with a quorum present, it was moved, seconded and voted to establish a housing equity allowance for the Rev. _____ with (1) an initial contribution of \$_____ for the year 20____, and (2) with subsequent contributions to be determined each year thereafter by vote of the congregation.

The conditions of this agreement are as follows:

1. The annual contribution shall be placed in an interest-bearing account in the name of the congregation.
2. The fund shall not be available for use by the congregation or by the rostered minister except for the purchase of a house by the rostered minister or the rostered minister's spouse.
3. The fund shall be paid in full to the rostered minister or survivors in the event of the rostered minister's disability, retirement or death.
4. Upon resignation as rostered minister from this congregation and acceptance of a call to another congregation or organization, the fund balance shall be transferred to the new employer or paid to the rostered minister, as the rostered minister may direct.
5. The funds shall be payable to the rostered minister's estate if there is no surviving spouse.

Signed by an officer of the Congregation:

Signature *Title* Date: _____

Signed by the rostered minister:

4. SOCIAL SECURITY ALLOWANCE

While most rostered ministers are employees for federal income tax reporting purposes, they all are self-employed for social security purposes (with respect to services they perform in the exercise of their ministry). This means that rostered ministers are not subject to "FICA" taxes, even though they report their income taxes as employees and receive a W-2 from their church. Rather, they pay the "self-employment tax" of 15.30% of their salary and housing allowance. Since congregations are required to pay 7.65% of a lay employee's salary for social security benefits, it would be fair to pay this amount as a Social Security allowance for the rostered minister. Many congregations provide an allowance for all or part of this expense. This allowance, if provided, is part of the taxable income for the rostered minister.

PLEASE NOTE: The Sierra Pacific Synod cannot provide specific tax or legal advice to rostered ministers, congregations or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations and specialized ministries.

5. ELCA PENSION AND OTHER BENEFITS PLAN

The congregation should provide for the rostered minister's participation in the Pension and Other Benefits Plan of the Evangelical Lutheran Church in America. This plan includes coverage for Retirement Pension Benefits, Medical and Dental Benefits, Disability Benefits, and Death Benefits for the rostered minister. Coverage for dependents (spouses and children) is now optional only to the extent that it is provided by the employer of the spouse. In other words, *if coverage is not provided for dependents by another employer, the congregation is **expected** to provide coverage as part of the rostered minister's benefits package.*

Portico Benefit Services (*formerly ELCA Board of Pensions*) provides a memorandum to members and congregational treasurers each year (usually in August or September) which outlines the percentage of defined compensation which will be required for each category of benefits for the following year. Rates, calculators to assist in determining contribution amounts, defined compensation, and total compensation, as well as other helpful information can be found at:

<https://employerlink.porticobenefits.org/Resources/Calculators/BenefitsCostCalculator.aspx>

6. VACATION

A paid vacation of at least four weeks, including four Sundays, shall be granted to the rostered minister and the cost of pulpit supply for these absences shall be borne by the congregation. Time spent in outdoor ministries or retreats with congregational youth, adults, or family groups should not be considered as vacation time when it is part of the church program or a job-related activity. Congregations may wish to provide an additional 2 Sundays per year in order to allow rostered ministers the opportunity to take a "3 day weekend."

7. HOLIDAYS

When a Federal Holiday falls on a rostered minister's regular day off, the rostered minister, in consultation with the Congregation Council, may schedule additional time off during that week.

8. SICK LEAVE

It is the responsibility of the congregation or specialized ministry to develop a sick leave policy. A suggested standard for all employees, including rostered ministers, is to provide one (1) day of paid sick leave for each calendar month worked. Employees may carry over sick leave up to a maximum of twenty-four (24) days.

9. DISABILITY LEAVE

In order to avoid awkward and hardship situations, both for rostered ministers and their families, and for the ministry, it is recommended that each congregation or specialized ministry develop an explicit written policy relating to disability. In case of disability, it is expected that the congregation will continue to pay full salary, housing and benefits contributions for the first 60 days of disability, until the disability benefits of the ELCA Pension and Other Benefits Plan go into effect. Any period of disability (beginning date, length, and return to active duty) should be based on a physician's recommendation. Ministries may wish to consult with an insurance company to arrange coverage for the first 60 days at a minimal annual cost rather than being faced with major expenses should disability occur.

PLEASE NOTE: The Sierra Pacific Synod cannot provide specific tax or legal advice to rostered ministers, congregations or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations and specialized ministries.

All ELCA Pension and Other Benefits Plan benefits coordinate with the benefits of Social Security or other governmental benefits. Disability benefits for rostered ministers who have chosen to opt out of Social Security would be reduced by the amount of benefits Social Security would have paid. During the first two months of a disability, the congregation provides full compensation. Beginning with the third month, a member of the ELCA Pension and Other Benefits Plan is entitled to receive a monthly benefit equal to 66% of the member's defined compensation, minus any social security benefits to which the member may be entitled, and minus any other governmental disability program benefits payable to the member based on the disability. In general, the monthly benefits continue until the member recovers from the disability. However, if the member has not recovered by his or her 65th birthday, the monthly benefits will stop and pension benefits will begin.

During the first 2 months of disability, the congregation is responsible for continuing to pay the monthly contribution to the Medical and Dental Benefits Plan and the Survivor Benefits Plan. If coverage has been continued during the first 2 months, then thereafter the Disability Benefits Plan will pay the cost of continued coverage under the Medical and Dental Benefits and Survivor Benefits Plans.

10. FAMILY LEAVE

It is the responsibility of the congregation or specialized ministry to develop a family leave policy. Caring for children and parents is a high priority. Where applicable, parental (maternity/paternity) leave of up to six weeks, with full salary, housing, and benefits, is standard ELCA policy. In the event of a medical emergency or death within the rostered minister's family, up to three weeks of paid leave is recommended. When the specified leave period is exhausted, an unpaid leave of absence may be granted.

11. CONTINUING EDUCATION

A minimum of 50 contact hours per year of continuing education is required of every rostered minister of the ELCA. This time should be considered as necessary for improving and building ministry – it is not vacation time. Two weeks of continuing education time should be provided for rostered ministers for updating skills and for professional growth, in order to strengthen their ministries. In addition, the ministry should budget at least \$1,000 per year to provide part of the cost for tuition, travel, and books. The rostered minister is expected to contribute at least \$200 annually for continuing education.

A contact hour is defined as a typical 50-minute classroom instructional session or the equivalent. Continuing education may be courses, seminary classes, workshops, or independent study (when directed toward a specific goal). Each year the rostered minister's continuing education plan should be developed in consultation with the Congregation Council or appropriate ministry team. It is expected that every rostered minister will have a completed Continuing Education Covenant. If you need assistance in developing a Covenant, contact the Office of the Bishop or the synod's Leadership Discipling Team. During the rostered minister's absence for continuing education, the congregation continues to pay salary and allowances, and is responsible for pulpit supply and other regular expenses for rostered minister services.

PLEASE NOTE: The Sierra Pacific Synod cannot provide specific tax or legal advice to rostered ministers, congregations or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations and specialized ministries.

12. FIRST CALL THEOLOGICAL EDUCATION (FCTE)

New seminary graduates are required to participate in First Call Theological Education, which means they must take at least 50 continuing education hours per year for the first three years of their ministry. The congregation that calls a new graduate will submit \$1200 annually to the Region 2 Office for the cost of the program, as well as grant the rostered minister the time for the two Core Events each year and Colleague Meetings (once every 4-6 weeks). In addition, the congregation is expected to provide \$500 for travel expenses for events occurring within Region 2 FCTE.

13. SABBATICAL LEAVE

From time to time, a rostered minister may desire an extended period for in-depth study or personal growth. The following guidelines are suggested to assist rostered ministers and ministries in the consideration of sabbatical leaves:

- Rostered ministers and ministries contemplating sabbatical leaves should consult with the Bishop or an Assistant to the Bishop early in the process.
- Sabbatical leaves are intended for in-depth study or personal growth related to the regular call of the rostered minister, and should include time for personal and familial reflection. Sabbatical leaves will normally be for a period of not less than three months and not more than twelve months.
- Rostered ministers who have a minimum of seven years of active service, and who have served their current call or appointment for five or more years, may present proposals for sabbatical leaves.
- A proposal should include:
 - a. A rationale for the sabbatical, including personal goals and potential value for the ministry.
 - b. A detailed outline of the intended courses of study and use of time.
 - c. An outline of the financial implications of the sabbatical.
 - d. An indication of the use of vacation time during the sabbatical. At least one-half of the period normally granted as annual vacation leave shall be so designated in sabbatical leaves of 3-6 months. Sabbatical leaves of 7-12 months should include the entire annual vacation.
- Realizing that the congregation will be without the services of its rostered minister during the sabbatical, the rostered minister should seek the counsel and consent of the Office of the Bishop before finalizing the agreement. In addition, the Office of the Bishop may be a valuable resource in identifying available rostered ministers to provide pastoral services during the time of the sabbatical.
- Proposals for sabbatical leaves should be presented to the Congregation Council or other governing body not less than six months prior to the beginning of the leave. Careful consideration should be given to all aspects of the proposal and implications for the ministry and the rostered minister.
- Normally, the financial considerations for the sabbatical should be negotiated by the rostered minister and the ministry. It is suggested, however, that salary, housing allowance

PLEASE NOTE: The Sierra Pacific Synod cannot provide specific tax or legal advice to rostered ministers, congregations or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations and specialized ministries.

and the ELCA Pension and Other Benefits Plan be maintained at the current level, with the rostered minister assuming responsibility for all other expenses.

- When a sabbatical leave is granted, the rostered minister should normally agree to serve the ministry for a minimum of two years following the completion of the leave. Within six weeks of the completion of the sabbatical leave, the rostered minister should present to the ministry and the Office of the Bishop a detailed reflection on the experiences of the leave.

14. AUTOMOBILE EXPENSE

Since the cost of operating an automobile or other vehicle car on ministry business is a business expense, and a vehicle is required by the ministry for the performance of the rostered minister's duties, the ministry should be responsible for the full cost. It is important to understand that the cost of operating an automobile **is not compensation**; it is merely reimbursement for the expenses of doing the ministry of the congregation or specialized ministry. The automobile reimbursement is an administrative expense of the ministry.

The most effective way for a ministry to provide for the full cost of travel is for the ministry to lease or purchase an automobile for the rostered minister's use. The ministry then provides for the upkeep of the auto, including gas, repairs and maintenance, and the rostered minister uses the auto exclusively for ministry business. However, that arrangement may not be possible for many congregations or specialized ministries.

Alternatively, the ministry provides a reimbursement for the **full** cost of using a rostered minister's personal automobile. Too often, the reimbursement received is insufficient to cover the full costs of driving a personal automobile. Those unreimbursed costs become an added financial burden for rostered ministers and may mean increased income taxes for the rostered minister. The preferred manner of automobile expense reimbursement involves the ministry reimbursing the rostered minister for actual business miles traveled at a specified rate per mile, based upon the current IRS automobile mileage allowance (www.irs.gov; search for "mileage rates"). In order for this reimbursement not to be considered as income, a record of mileage driven must be submitted for reimbursement.

Another method requires that the rostered minister keep a detailed record of all costs associated with a personal car used for ministry business (including insurance and depreciation). The ministry can then reimburse these costs based on the mileage driven in the course of the rostered minister's duties.

15. PERIODICALS, BOOKS AND PUBLICATIONS

Expenses for periodicals, books and publications, which strengthen a rostered minister's ministry, should be shared by the congregation or specialized ministry. It is recommended that a minimum of \$250 be provided annually.

16. PROFESSIONAL EXPENSES

The congregation or specialized ministry should provide for professional expenses incurred in the performance of the duties of the rostered minister. The congregation should pay all expenses incurred by the rostered minister for attending required meetings such as Synod Assembly and

PLEASE NOTE: The Sierra Pacific Synod cannot provide specific tax or legal advice to rostered ministers, congregations or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations and specialized ministries.

other related events, such as the Professional Leaders Conference. It is recommended that a minimum of \$200 be provided in addition to these expenses.

PLEASE NOTE: The Sierra Pacific Synod cannot provide specific tax or legal advice to rostered ministers, congregations or specialized ministries. If you have questions about tax matters or legal issues, contact a qualified tax adviser or attorney who is knowledgeable about the unique tax and legal situations for rostered ministers, congregations and specialized ministries.