

Compensation Guidelines

*For Rostered Ministers:
Pastors and Deacons*

2018

New England Synod
Evangelical Lutheran Church in America

Approved by Synod Assembly June 2017

Introduction

“Let the elders who rule well be considered worthy of double honor, especially those who labor in preaching and teaching; for the scripture says, ‘You shall not muzzle the ox while it is treading out the grain,’ and ‘The Laborer deserves to be paid.’”

1 Timothy 5:17-18

These guidelines are intended to be used by congregations to determine fair levels of compensation for rostered leaders. They may be updated each year.

Congregations are expected to establish the level of compensation for their rostered leaders after a period of discussion, research, and evaluation. These guidelines provide one resource for this process to insure that compensation is fair and equitable.

Congregations are encouraged to provide appropriate and adequate compensation. Rostered leaders are then able to live with appropriate means and more easily focus on the ministry. While rostered leaders do not expect to afford a lavish lifestyle, neither are they expected to struggle to make ends meet. Congregations can feel good about providing a fair and equitable compensation for their called leaders. Everyone benefits when compensation is fair and adequate.

Our Synod strongly encourages each congregation to maintain an active Mutual Ministry Committee. Such a committee can discuss compensation with the pastor/leader and serve as a conduit for discussion between the rostered leader and the finance committee, Congregation Council, and congregation.

A couple resources: *Pastor and People: Making Mutual Ministry Work*, Augsburg Fortress, 2003.
Making Mutual Ministry Work, by Richard J. (Dick) Bruesehoff, Augsburg Fortress, 2005.

Table of Contents

Determination of a Pastor's Compensation

A. Defined Compensation	p. 6
1. Years of Experience/Additional Education	
2. Responsibilities/Merit	
3. Cost of Living/Community Life Style	
4. Avoiding a Trap	
B. Social Security Allowance	p. 6
C. Housing	p. 6 - 7
1. Determining Housing Expenses	
2. Housing Allowance (for congregations without a parsonage)	
3. Housing Expenses and Furnishings Allowance (for congregations with a parsonage)	
D. Benefits through Portico Benefit Services	p. 7 - 8
1. Medical and Dental Plans	p. 7
2. Retirement Plan	p. 7
3. Disability Insurance	p. 8
4. Other Benefits	p. 8
E. Additional Benefits	p. 8 - 9
1. Housing Equity Allowance	p. 8
2. Employer Contribution to TSA	p. 8
3. Days Off	p. 8
4. Vacation	p. 8
5. Sick Leave	p. 8
6. Disability Leave	p. 8
7. Family/Parental Leave	p. 8
8. Sabbatical Leave	p. 9
9. Severance	p. 9
F. Professional Expenses	p. 9 - 10
1. Automobile Expenses	p. 9
2. Continuing Education	p. 9
3. First Call Theological Education	p. 9
4. Book and Periodical Expenses	p. 10
5. Professional Meetings Expenses	p. 10
G. W-2 or 1099: Which is it?	p.10

Appendix

A – Overall Compensation Worksheet for Pastors	p. 14
B – Understanding Defined Compensation for Pastors	p. 15
C – 2017 Compensation Guidelines for Full-Time Pastors	p. 16
D – Housing Allowance Worksheet (for pastors who own or rent their home)	p. 17
E – Pastor's Defined Compensation Worksheet (for pastors who own or rent their home)	p. 18
F – Housing Expenses and Furnishings Worksheet (for pastors who live in a parsonage)	p. 19
G – Pastor's Defined Compensation Worksheet (for pastors who live in a parsonage)	p. 19
K – Goal and Vision of Faithful and Just Compensation for Rostered Ministers	p. 21

Determination of Compensation for Deacons

- A. Defined Compensation** **p. 11**
 - 1. Years of Experience/Additional Education
 - 2. Responsibilities/Merit
 - 3. Cost of Living/Community Life Style
 - 4. Avoiding a Trap

- B. Social Security and Housing** **p. 11**

- C. Benefits through Portico Benefits Services** **p. 12**

- D. Additional Benefits** **p. 12**

- E. Professional Expenses** **p. 13**
 - a. Automobile Expenses
 - b. Continuing Education / Book and Periodical Expenses
 - c. Professional Meetings Expenses

Recommended Honoraria for Supply Pastors **p. 13**

Worship Service and Mileage

Appendix **p. 20 - 22**

H – 2017 Compensation Guidelines for Full – Time Deacons

I – Compensation Worksheet for Deacons

J – Links

K – Goal and Vision of Faithful and Just Compensation for Rostered Ministers

Determination of a Pastor's Compensation

A. Defined Compensation.

Compensation guidelines for pastors are outlined in Appendix C and are based on a value called "defined compensation". Defined compensation is the basis for calculating ELCA health, retirement, disability, and survivor benefit contributions. For pastors, defined compensation is base salary before any pretax benefit contributions are deducted. It also includes the amount of any Social Security tax allowance paid, and either cash housing allowance or 30% of base salary plus furnishing and utilities allowance paid.

This definition of defined compensation is identical to that used by Portico Benefit Services. Further details regarding the calculation of defined compensation may be found at the Portico Benefit Services web site.

1. **Years of Experience/Additional Education.**

A pastor who entered ministry later in life should be given additional credit for experience gained in another profession. Education beyond a Master of Divinity degree also should be considered. One option is to equate the advanced degree or training to a specific number of years of experience and add that amount to the pastor's years of experience in the ministry.

2. **Responsibilities/Merit.**

When performing an annual evaluation of a pastor's compensation, additional factors should be considered. First, have the pastor's responsibilities changed? Additional staff, larger congregation size, the assumption of an internship program, and the addition of a second pastor are factors which would indicate a higher level of responsibility for the pastor. Second, has the pastor met the expectations of the congregation? Performance is a critical consideration when evaluating compensation. A pastor who is exceeding the expectations of the congregation should be rewarded through what commonly is referred to as "merit increases." A model for an annual ministry review and performance evaluation can be found in *Pastor and People: Making Mutual Ministry Work* (Augsburg Fortress).

3. **Cost of Living/Community Life Style.**

Cost of living adjustments based on the local economy also are appropriate for consideration. In addition, the pastor's defined compensation should be considered to be representative of the salary that the pastor would be making if employed as a professional in some related occupation. In areas where the majority of the congregation and/or community is made up of highly paid professionals, a defined compensation level near or above the upper guidelines might be appropriate.

4. **Avoiding a Trap.**

Congregations are encouraged to not fall into the trap of giving "what we can" as such an attitude does a disservice to both the pastor and the congregation. The Congregation Council should use these guidelines and the above factors to arrive at a defined compensation figure that truly represents the value of the pastor to the congregation. The congregation should then be challenged to meet the defined compensation rather than the other way around. Appendix K, p. 21-22 provides aid in this process.

B. Social Security Allowance (SECA).

While most employers directly pay half of an employee's social security tax, churches are not allowed to do this for ordained clergy because of separation of church and state. However, pastors should be on a par with other employees and be given a social security allowance to pay at least half of the social security obligation. It is suggested that the allowance should be more than half since this allowance will be taxed at the self-employment rate. The pastor will pay 15.3% social security tax on income, housing, TSA, and the social security allowance. The congregation or agency is encouraged to pay half (7.65%) in order to offset this tax burden.

C. Housing.

The Internal Revenue Service permits congregations to designate a portion of the pastor's compensation as a housing allowance (for congregations without parsonages) or a housing expenses and furnishings allowance (for congregations with a parsonage) which may be excluded from federal income tax.

All congregations should take advantage of this tax benefit because it provides the pastor with an effective increase in compensation equal to the tax that would be paid on that amount of income. This is a benefit that the pastor qualifies for, and it should be used.

1. Determining Housing Expenses.

It is the responsibility of the pastor to provide the Congregation Council with an estimate of housing expenses. Appendix D (for congregations without a parsonage) and Appendix F (for congregations with a parsonage) provide worksheets which may be used to establish housing expenses.

Designation of such expenses must be made prior to the tax year in which the allowance is to be provided. Designation of the allowance should be in the form of a letter or memo by Congregation Council action and recorded in its minutes. The Council should approve the amount requested for housing expenses unless that amount clearly is excessive. The allowance for a given year is not subject to change once approved by the Congregation Council. Any amount exceeding actual housing expenses should be reported as taxable income by the pastor.

2. Housing Allowance (for congregations without a parsonage).

The amount that can be excluded from taxable income as housing allowance is always the smallest of the:

- amount officially designated in advance as "housing allowance" by the Congregation Council or
- amount spent for the pastor's primary residence (mortgage principal and interest, utilities, taxes, insurance, furnishings, appliances, maintenance, etc.) or
- fair rental value of the pastor's home, including furnishings and cost of utilities and maintenance (whether owned or rented).

3. Housing Expenses and Furnishings Allowance (for congregations with a parsonage).

When a congregation provides a parsonage, the congregation should assume all costs for maintenance and utilities. Designating a portion of the pastor's salary as a furnishings allowance allows the pastor to utilize non-taxable monies to pay for furniture and appliance purchases, wallpaper and rugs, cleaning supplies, etc. The amount that can be excluded from taxable income as a furnishings allowance is always the smallest of the three amounts indicated in C.2., above. Portico Benefit Services uses 30 percent of a pastor's cash salary as the value of the parsonage to determine the contributions to the ELCA pension and other benefits program, but this calculation is not considered an expense and furnishings allowance. Furthermore, the furnishings allowance must be included in total income by the pastor when the pastor calculates social security tax.

D. Benefits through Portico Benefit Services.

It is highly recommended that congregations select the Gold + health benefit plan for pastors. The congregation is expected to make required contributions for each eligible employee whom the employer enrolls in the plans administered by Portico Benefit Services. The amount of the required contributions is determined as a percent of defined compensation, which includes cash salary, social security allowance, 30% for housing if a parsonage is provided, and the actual housing allowance if that is provided. This amount is multiplied by the appropriate percentage to determine the cost of participation in the plan. Historically, Portico Benefit Services has published its rates for the coming year during the month of August—later than the revision of these *Compensation Guidelines*, which are presented to the Synod Assembly in June of each year. Accordingly, rostered leaders, finance committees, and Congregation Councils are encouraged to visit the Portico Benefit Services web site www.PorticoBenefits.org for current rates, calculators, other tools, and information. They also can be contacted by phone at 800-352-2876.

1. Medical and Dental Plans.

Congregational contributions toward health coverage are based on the number of dependents. They are calculated as a percentage of defined compensation. Contributions are subject to minimums and maximums, which are provided on the Portico Benefit Services' schedule for contributions.

Required health coverage may be waived only under the following circumstances: the pastor has group health coverage provided by another employer (not an ELCA congregation, seminary or other unit); the pastor's spouse has group health coverage provided by his/her employer.

2. Retirement Plan. Portico Benefit Services

Minimum contribution rate for participation in the pension plan is 10%, but the New England Synod, along with all the synods of Region 7, **strongly encourage congregations to designate a 12% contribution rate regardless of age or years of service.**

3. Disability Insurance.

Generally, the disability plan will pay 66 2/3% of defined compensation less any amounts received from social security and worker's compensation disability benefits after two months of disability. The congregation is expected to provide full compensation including housing for the first two months of disability on a self-insured basis. The congregation also is expected to pay the medical, dental, and survivors insurance contributions during the first two months of disability.

4. Other Benefits.

Survivor insurance and administrative costs are included.

E. Additional Benefits.

1. Housing Equity Allowance.

When a congregation provides a parsonage, its pastor does not gain any benefit of the equity growth that the congregation may realize from its parsonage. This situation becomes particularly important when the pastor requires a significant loan for large expenses (such as payments for college tuition for children) and an equity loan cannot be obtained. Furthermore, the pastor did not gain equity through ownership of a house that can be used for retirement. Therefore, it is recommended that congregations that provide a parsonage establish a housing equity allowance for the pastor based on a minimum of 5% of cash salary, to compensate for the loss of equity growth that would be realized if the pastor owned a house. Contributions to such an allowance should be placed in an escrow account or in an optional pension fund and not provided directly to the pastor until the pastor's call is ended. Placement of the funds should be carefully examined, especially if the pastor desires to have the option of taking a loan against the accrued funds, similar to an equity loan on a house. Upon the pastor's resignation and acceptance of another call, the balance of this fund shall be transferred to the new congregation or paid to the pastor, as the pastor may direct. The fund shall be paid in full to the pastor or survivors in the event of the pastor's disability, retirement, or death.

2. Employer Contribution to TSA.

Many employers provide matching contributions to investment plans and/or retirement plans such as the 401(k) plans. Congregations may consider matching a percentage of the pastor's contribution to a TSA (403B) or establishing a TSA for the pastor if no deductions from salary are elected.

3. Days Off.

Synod policy, adopted by the Synod in Assembly in June 1994, states that congregations are strongly encouraged to provide full-time pastors with a minimum of two days off a week. This promotes health and well-being for the pastor, his/her family, and the congregation.

4. Vacation.

The congregation is to provide four weeks of vacation (encompassing four Sundays) per year with full pay. The congregation should consider granting additional vacation time based on the length of service in the ministry.

5. Sick Leave.

Sick leave is up to eight weeks per year with full salary, housing, and benefits. This is not a cumulative benefit. Sick leave thus is coordinated with the ELCA disability plan. When there is extended illness, contact should be made with the Office of the Bishop to coordinate benefits.

6. Disability Leave.

When there is disability, full salary, housing, and benefits are to be paid by the congregation until the ELCA disability benefit plan takes effect (two months).

7. Family/Parental Leave.

Family leave is paid time off to care for a seriously ill child, spouse, or parent. Congregations should carefully consider developing a family leave policy. Congregations are expected to provide for a paid parental leave of up to six weeks for the birth, adoption, or pre-adoption placement of a child with full salary, housing, and benefits.

8. Sabbatical Leave.

Congregations and other organizations are strongly encouraged to provide for and grant their pastors and other full-time rostered and/or professional workers a sabbatical or renewal leave of three consecutive months after every four years of service in that setting. Details regarding policy, rationale, suggested procedures, and additional resources can be found in the document *Sabbatical—Renewal for the Future*, which was adopted by the 2003 Synod Assembly and which is available from the Office of the Bishop.

9. Severance.

The Synod Bishop should be consulted whenever the termination of a call is being considered. In situations where a call is terminated by the rostered leader, Congregation Council, or appointing institution, without another call or other employment being in place, the congregation is encouraged to consider a severance package of three to six months. Unless covered by another employer, medical and pension benefits are to be included as well. Excluded would be any other allowances, e.g. auto, book, education.

F. Professional Expenses.

It is recommended that the congregation adopt the policy that all professional expenses incurred by the pastor(s) are reimbursed in full. These costs are not benefits and should not be considered compensation to the pastor.

1. Automobile Expenses.

Each congregation should address the transportation needs of the pastor as required by its unique situation. The following list provides some examples of how transportation costs might be addressed. It is not a complete listing, and it is not meant to address every situation. Regardless of the method used in each congregation, accurate records are a must. A detailed log, together with a way to record costs for parking and tolls must be kept. (Names need not be included in the record.)

- Purchase or lease a vehicle for church-related use only. All costs of operation (repairs, insurance, etc.) would be paid by the congregation. Any personal use by the pastor would be accounted for by a reimbursement plan or as an element of compensation. There may be a tax consideration for the pastor in this case.
- Mileage allowance to be reimbursed. This is the method recommended as the most equitable and easily managed. The pastor would maintain an automobile for which he/she would submit a voucher. The congregation would pay a per-mile amount as previously agreed by the Council. None of the reimbursed funds would be taxable since they reflect an actual cost incurred. As a minimum, the IRS rate should be used for reimbursement.
- Monthly allowance for transportation. Pastors are required to keep accurate records as to the number of miles traveled or the actual expenses incurred. Failure to do so exposes the pastor to the risk of having the entire amount of the allowance included as taxable income. In addition, the possibility exists that the actual mileage may exceed the allowance, decreasing the compensation paid to the pastor. Congregations using this method should remain aware of the actual cost of transportation, and adjust the allowance.

2. Continuing Education.

Continuing education time and funds should be provided for the pastor to update skills and for professional growth in order to strengthen his/her ministry. It is not vacation time. Congregations are encouraged to grant their pastor(s) two weeks and a recommended amount of \$1,000 per year (\$700 minimum). The annual cash amount may be accumulated up to three years. Note that the ELCA expects a minimum of 50 contact hours of continuing education annually. A contact hour is defined as a fifty-minute classroom instructional session or the equivalent. Continuing education may be courses, workshops, or independent study (when directed toward a specific goal). Each year the pastor's continuing education plan should be developed in consultation with the Congregation Council using a Continuing Education Covenant.

3. First Call Theological Education (FCTE).

New seminary graduates are required to participate in First Call Theological Education for the first three years of their ministry. A congregation that calls a new graduate will be asked to underwrite the cost of this program (currently \$525 per year) and is expected to grant the pastor the time for this study.

4. Book and Periodical Expenses.

Congregations may choose to provide an allowance for the purchase of books and/or subscriptions to periodicals.

5. Professional Meetings Expenses.

A pastor's attendance at the Synod Assembly, the Bishop's Convocation, and clergy gatherings is a professional expense. The congregation is expected to provide funds to cover registration costs, lodging, meals, and travel for these activities.

G. W-2 or 1099: Which Is It?

In almost every case, the congregation should be supplying the pastor with form W-2. The pastor is considered, for tax reporting purposes, a self-employed taxpayer. This means that the pastor must file appropriate returns throughout the year and remit taxes and social security contributions on a quarterly basis as if self-employed. However, the pastor is considered to be an employee by the IRS for all other tax purposes. For this reason a form W-2 is required. The congregational treasurer should exclude the value of a housing allowance or a parsonage from Box 1 of form W-2. He/she can put this amount in Box 14 of form W-2 which is merely an information box.

Note: Congregations that issue a form 1099 to their pastor could place an unduly high tax burden on the pastor that is not incurred when form W-2 is used. In all situations, it is recommended that the pastor seek tax advice from a qualified professional.

A helpful resource "**Congregational Treasurers and Bookkeepers Financial and Accounting Guide**" may be found at www.elca.org. Within this guide, the section on "Payroll and Tax Obligations" (p. 34 and following) provides detailed guidance.

Determination of Compensation for Deacons

A. Defined Compensation.

Compensation guidelines for Deacons are outlined in Appendix H and are based on a value called "defined compensation." With the exception of an offset in the guidelines approximately equal to the additional amount that a pastor must pay in social security tax, the guidelines for Deacons are essentially identical to those provided for pastors.

1. *Years of Experience/Additional Education.*

A deacon who enters ministry later in life should be given additional credit for experience gained in another profession. Education beyond a master's degree also should be considered.

2. *Responsibilities/Merit.*

When performing an evaluation of a deacon's compensation, additional factors should be considered. First, has the deacon's responsibilities changed? Second, has the deacon met the expectations of the congregation? Performance is a critical consideration when evaluating compensation. A deacon who is exceeding the expectations of the congregation should be rewarded through what commonly is referred to as "merit increases."

3. *Cost of Living/Community Life Style.*

Cost of living adjustments based on the local economy also are appropriate for consideration. In addition, the deacon's defined compensation should be considered to be representative of the salary that the deacon would be making if employed as a professional in some related occupation. In areas where the majority of the congregation and/or community is made up of highly paid professionals, a defined compensation level near or above the upper guidelines might be appropriate.

4. *Avoiding a Trap.*

Congregations are encouraged to not fall into the trap of giving "what we can" as such an attitude does a disservice to both the leader and the congregation. The Congregation Council should use the *Compensation Guidelines* and the above factors to arrive at a defined compensation figure that truly represents the value of the deacon to the congregation. The congregation should then be challenged to meet the defined compensation rather than the other way around. Appendix K, p. 21-22 provides aid in this process.

B. Social Security and Housing.

Because deacons are not ordained, they and the congregation each pay half of the social security tax. The deacon's half is deducted from his/her pay as is done for employees of other companies and organizations. For the same reason, the government does not grant any tax-free housing allowance for non-clergy rostered ministers. If housing is provided, the value of this housing, in terms of fair rental value, may be subtracted from the general compensation to arrive at a cash salary. However, the value of the housing must be reported as income for tax purposes.

C. Benefits through the Portico Benefit Services.

It is highly recommended that congregations select the Gold + health benefit plan for rostered ministers. The congregation is expected to make required contributions for each eligible employee whom the employer enrolls in the plans administered by Portico Benefit Services. The amount of the required contributions is determined as a percent of defined compensation. This amount is multiplied by the appropriate percentage to determine the cost of participation in the plan. Historically, Portico Benefit Services has published its rates for the coming year during the month of August—later than the revision of these *Compensation Guidelines*, which are presented to the Synod Assembly in June of each year. Accordingly, rostered leaders, finance committees, and Congregation Councils are encouraged to visit the Portico Benefit Services web site www.PorticoBenefits.org for current rates, calculators, other tools, and information. They also can be contacted by phone at 800-352-2876.

1. *Medical and Dental Plans.*

Congregational contributions toward health coverage are based on the number of dependents. They are calculated as a percentage of defined compensation. Contributions are subject to minimums and maximums, which are provided on the Portico Benefit Services' schedule for contributions. Required health coverage may be waived only under the following circumstances: the minister has group health coverage provided by another employer (not an ELCA congregation, seminary or other unit); the minister's spouse has group health coverage provided by his/her employer.

2. Retirement Plan. Portico Benefit Services

Minimum contribution rate for participation in the pension plan is 10%, but the New England Synod, along with all the synods of Region 7, **strongly encourage congregations to designate a 12% contribution rate regardless of age or years of service.**

3. Disability Insurance.

Generally, the disability plan will pay 66 2/3% of defined compensation less any amounts received from social security and worker's compensation disability benefits after two months of disability. The congregation is expected to provide full compensation including housing for the first two months of disability on a self-insured basis. The congregation also is expected to pay the medical, dental, and survivors insurance contributions during the first two months of disability.

4. Other Benefits.

Survivor insurance and administrative costs are included.

D. Additional Benefits.

1. Employer Contribution to TSA.

Many employers provide matching contributions to investment plans and/or retirement plans such as the 401(k) plans. Congregations may consider matching a percentage of the rostered leader's contribution to a TSA (403B) or establishing a TSA for the leader if no deductions from salary are elected.

2. Days Off.

Synod policy, adopted by the Synod in Assembly in June 1994, states that congregations are strongly encouraged to provide full-time rostered ministers with a minimum of two days off a week. This promotes health and well-being for the rostered leader, his/her family, and the congregation.

3. Vacation.

The congregation is to provide four weeks of vacation (encompassing four Sundays) per year with full pay. The congregation should consider granting additional vacation time based on the length of service in the ministry.

4. Sick Leave.

Sick leave is up to eight weeks per year with full salary, housing, and benefits. This is not a cumulative benefit. Sick leave thus is coordinated with the ELCA disability plan. When there is extended illness, contact should be made with the Office of the Bishop to coordinate benefits.

5. Disability Leave.

When there is disability, full salary, housing, and benefits are to be paid by the congregation until the ELCA disability benefit plan takes effect (two months).

6. Family/Parental Leave.

Family leave is paid time off to care for a seriously ill child, spouse, or parent. Congregations should carefully consider developing a family leave policy. Congregations are expected to provide for a paid parental leave of up to six weeks for the birth, adoption, or pre-adoption placement of a child with full salary, housing, and benefits.

7. Sabbatical Leave.

Congregations and other organizations are strongly encouraged to provide for and grant their rostered leaders and/or professional workers a sabbatical or renewal leave of three consecutive months after every four years of service in that setting. Details regarding policy, rationale, suggested procedures, and additional resources can be found in the document *Sabbatical—Renewal for the Future*, which was adopted by the 2003 Synod Assembly and which is available from the Office of the Bishop.

8. Severance.

The Synod Bishop should be consulted whenever the termination of a call is being considered. In situations where a call is terminated by the rostered leader, Congregation Council, or appointing institution, without another call or other employment being in place, the congregation is encouraged to consider a severance package of three to six months. Unless covered by another employer, medical and pension benefits are to be included as well. Excluded would be any other allowances, e.g. auto, book, education.

E. Professional Expenses.

It is recommended that the congregation adopt a policy that all professional expenses incurred by a rostered minister are reimbursed in full. These costs are not benefits and should not be considered compensation to the minister.

6. Automobile Expenses.

Each congregation should address the transportation needs of the rostered minister as required by its unique situation. The following list provides some examples of how transportation costs might be addressed. It is not a complete listing, and it is not meant to address every situation. Regardless of the method used in each congregation, accurate records are a must. A detailed log, together with a way to record costs for parking and tolls must be kept. (Names need not be included in the record.)

- Purchase or lease a vehicle for church-related use only. All costs of operation (repairs, insurance, etc.) would be paid by the congregation. Any personal use by the minister would be accounted for by a reimbursement plan or as an element of compensation. There may be a tax consideration for the minister in this case.
- Mileage allowance to be reimbursed. This is the method recommended as the most equitable and easily managed. The rostered minister would maintain an automobile for which he/she would submit a voucher. The congregation would pay a per-mile amount as previously agreed by the Council. None of the reimbursed funds would be taxable since they reflect an actual cost incurred. As a minimum, the IRS rate should be used for reimbursement.
- Monthly allowance for transportation. Rostered ministers are required to keep accurate records as to the number of miles traveled or the actual expenses incurred. Failure to do so exposes the minister to the risk of having the entire amount of the allowance included as taxable income. In addition, the possibility exists that the actual mileage may exceed the allowance, decreasing the compensation paid to the minister. Congregations using this method should remain aware of the actual cost of transportation, and adjust the allowance.

7. Continuing Education.

Continuing education time and funds should be provided for the rostered minister to update skills and for professional growth in order to strengthen his/her ministry. It is not vacation time. Congregations are encouraged to grant their minister(s) two weeks and a recommended amount of \$1,000 per year (\$700 minimum). The annual cash amount may be accumulated up to three years. Note that the ELCA expects a minimum of 50 contact hours of continuing education annually. A contact hour is defined as a fifty-minute classroom instructional session or the equivalent. Continuing education may be courses, workshops, or independent study (when directed toward a specific goal). Each year the minister's continuing education plan should be developed in consultation with the Congregation Council using a Continuing Education Covenant.

8. First Call Theological Education (FCTE).

New seminary graduates are required to participate in First Call Theological Education for the first three years of their ministry. A congregation that calls a new graduate will be asked to underwrite the cost of this program (currently \$525 per year) and is expected to grant the rostered leader time for this study.

9. Book and Periodical Expenses.

Congregations may choose to provide an allowance for the purchase of books and/or subscriptions to periodicals.

10. Professional Meetings Expenses.

A rostered minister's attendance at the Synod Assembly, the Bishop's Convocation, and clergy gatherings is a professional expense. The congregation is expected to provide funds to cover registration costs, lodging, meals, and travel for these activities.

Recommended Honoraria for Supply Pastors

\$200 minimum for a single service plus the *current* IRS rate for business use of one's automobile

\$75 for each additional service that week (same preparation)

Appendix A

Overall Compensation Worksheet for Pastors

A. Defined Compensation (choose 1 or 2)

1. If no parsonage is provided:

- a. Cash Salary \$ _____
- b. Housing Allowance \$ _____
- c. Social Security Allowance (SECA) \$ _____

a + b + c = Defined Compensation = \$ _____ (A)
without parsonage

2. If parsonage is provided:

- a. Cash Salary \$ _____
- b. Social Security Allowance _____
- c. Parsonage Value \$ _____
(30% of Cash Salary + Social Security Allowance)
- d. Utilities allowance \$ _____
- e. Furnishings allowance \$ _____
- f. Housing Equity allowance \$ _____
(include only if paid to pastor)

a + b + c + d + e = Defined Compensation = \$ _____ (A)
with parsonage

B. Health Insurance and Additional Benefits

- 1. ELCA Medical and Dental Insurance (Gold + plan) \$ _____
Circle one: a. Member only, b. Member & Spouse
c. Member & Children, or
d. Member, Spouse, & Children
- 2. ELCA Pension at _____% (12% recommended) \$ _____
- 3. ELCA Disability, Survivor Benefits and Administrative Expense \$ _____
- 4. Housing Equity contribution to Portico (if parsonage is provided) \$ _____
- 5. Other insurance, medical reimbursement, or other benefits: \$ _____

Total Health Insurance, Pension and other Benefits = \$ _____ (B)

C. Agreement

- 1. Vacation time of _____ weeks per year, including _____ Sundays; (minimum of 4 recommended)
- 2. Continuing Education time of _____ weeks per year. (minimum of 2 weeks recommended)
- 3. Up to two months of continued salary, housing, ELCA insurance and pension payments in a 12 month period in the event that the pastor is physically or mentally disabled.
- 4. Where applicable, family/parental leave up to six weeks with full salary, housing and benefits at the adoption or birth of a child.
- 5. Sabbatical Leave for _____ months (3 months recommended) after every _____ years (4 years recommended) of service.

D. Professional Expenses

The congregation provides for the following ministry related expenses:

- 1. Automobile expenses \$ _____
- 2. Continuing Education \$ _____
(or First Call Theological Education, when applicable)
- 3. Book and Periodical Expenses \$ _____
- 4. Professional Meetings Expenses \$ _____

Professional Expenses Total = \$ _____ (D)

TOTAL BUDGET FOR PASTORAL MINISTRY = A + B + D = \$ _____

Appendix B

Understanding Defined Compensation for Pastors

What is defined compensation?

The sponsoring congregation or organization pays an amount based on the sponsored member's defined compensation.

Defined compensation is calculated as follows:

- (A) cash salary (before reductions for tax sheltered annuities or reimbursement accounts); *plus*
- (B) clergy social security allowance; *and*
- (C) if housing is provided, 30 percent of (A) + (B), plus housing expenses and furnishings allowance paid directly to the member, or if housing is not provided, the actual cash housing allowance paid to the member.

Defined compensation includes:

- housing equity contributions if the sponsoring congregation or organization pays them directly to the member (include in base salary);
- additional tax-sheltered annuity contributions made by way of a voluntary salary reduction agreement reached between the member and the sponsoring congregation or organization, including tax-sheltered contributions made to other financial institutions (include in base salary);
- social security tax allowance;
- housing expenses and furnishings allowance if the sponsoring congregation or organization pays it directly to the member.

Defined compensation does not include:

- housing equity contributions made on the member's behalf to the Optional Pension Plan or to another financial institution;
- housing expenses and furnishings allowance if the sponsoring congregation or organization pays these expenses directly;
- additional pension contributions (above the regular pension plan requirement) paid by the sponsoring congregation or organization on the member's behalf in addition to the member's salary;
- automobile allowance;
- continuing education allowance;
- books and periodicals allowance.

Appendix C

2018 Defined Compensation Guidelines for Full-Time Pastors

Calculating Defined Compensation

Without Parsonage: Cash Salary + Housing Allowance + Social Security Allowance (SECA) = Defined Compensation

With a Parsonage: Cash Salary + Parsonage Value + Social Security Allowance (SECA) + Furnishing Allowance = Defined Compensation

Minimum Defined Compensation for Full Time Pastors

These guidelines provide a minimum amount for defined compensation with the understanding that further research into particular location, professional experience, responsibilities, and other unique factors will likely call for an increase from these minimum values. Please review p. 6-7 and Appendix K, p. 21, of this document to fully arrive at an appropriate Defined Compensation.

Years of Service	*National Median	State Cost of Living Adjustment	CT 1.22	MA 1.11	ME 1.00	NH 1.10	RI 1.15	VT/NY 1.09
0-4			55,204	50,227	45,250	49,775	52,038	49,323
5-9	48,000*		59,732	54,346	48,960	53,856	56,304	53,367
10-19			64,630	59,377	52,975	58,273	60,921	57,743
20-29			69,930	64,245	57,319	63,052	65,917	62,478
30+			75,664	69,513	62,020	68,222	71,322	67,601

*The cost of living adjustment (COLA) is based on Cost of Living Calculator for the cost of living in an urban area in each state in 2014. The COLA on this chart is 10% *less than* the actual cost of living adjustment. The Cost of Living Calculator may be found online at <http://www.top50states.com/cost-of-living-by-state.html>

**National median cash salary for pastors with 5-10 years' experience in the U.S. is \$48,000 in 2014 according to www.payscale.com

The above chart uses, as a base, the \$48,000 for a Pastor with 5 to 9 years of experience and then is adjusted for the different costs of living for each state (it happens that Maine is at the average with each of the other New England states above the average).

Years 0-4 were adjusted downward by compounding 2% each year. This amounts to a reduction of 8.2% from the 5-9 base year salary range. The salaries were then adjusted upward by the same 8.2% for each row.

Appendix D

Housing Allowance Worksheet

(For Pastors Who Own or Rent Their Home)

Housing Expenses

Down payment on a home

Mortgage payments on a loan to purchase or improve your home (principal and interest)

Real estate taxes

Homeowner association dues

Rental Expenses

Rental payments

Housing or Rental Expenses

Property insurance

Utilities (electricity, gas, water, trash pickup, local telephone charges)

Furnishings and appliances (purchase and repair)

Structural repairs and remodeling

Yard maintenance and improvements

Maintenance items (household cleaners, light bulbs, pest control, etc.)

Miscellaneous

Total annual estimated expenses

Properly designated housing allowance

Fair rental value of comparably furnished home, plus utilities

_____ (A)

_____ (B)

_____ (C)

The actual amount excludable from income for federal tax purposes is the lowest of A, B, or C above.

For more information, see the *Church & Clergy Tax Guide*, Christian Ministry Resources.

Appendix E

Pastor's Compensation Worksheet

(For Pastors Who Own or Rent Their Home)

Pastor's salary (Include pastor's contribution to TSA, if designated) _____

Social security allowance (if provided and not included in cash salary) _____

Housing allowance (if not included in cash salary) _____

Total defined compensation (add salary, social security allowance, and housing allowance) _____

Years of experience: _____

Minimum Defined compensation (from Appendix B) _____

Appendix F

Housing Expenses and Furnishings Worksheet

(For Pastors Who Live in a Parsonage)

Housing Expenses (if paid by the pastor)	_____
Personal property insurance	_____
Utilities (electricity, gas, water, trash pickup, local telephone charges)	_____
Furnishings and appliances (purchase and repair)	_____
Structural repairs and remodeling	_____
Yard maintenance and improvements	_____
Maintenance items (household cleaners, light bulbs, pest control, etc.)	_____
Miscellaneous	_____
Total annual estimated expenses	_____
Properly designated housing expenses and furnishings allowance	_____
Fair rental value of comparably furnished home, plus utilities	_____

The actual amount excludable from income for federal tax purposes is the lowest of A, B, or C above.

For more information, see the *Church & Clergy Tax Guide*, Christian Ministry Resources.

Appendix G

Pastor's Compensation Worksheet

(For Pastors Who Live in a Parsonage)

Pastor's salary (Include pastor's contribution to TSA, if designated)	_____
Social security allowance (if provided and not included in cash salary)	_____
Total cash salary	_____
Housing expenses and furnishings allowance (if not included in cash salary)	_____
Housing equity allowance (if not included in cash salary)	_____
Compensation without parsonage (add salary, furnishings allowance, and equity)	_____
Total defined compensation (Multiply compensation without parsonage by 1.3%) (30% housing)	_____
Years of experience: _____	
Minimum Defined compensation (from Appendix C)	_____

Appendix H

2018 Minimum Defined Compensation for Full-Time Deacons

These guidelines provide a minimum amount for defined compensation with the understanding that further research into particular location, professional experience, responsibilities, and other unique factors will likely call for an increase from these minimum values. Please review p. 11 and Appendix K, p. 21, of this document to fully arrive at an appropriate Defined Compensation.

Years of Service	*National Median	State Cost of Living Adjustment	CT 1.22	MA 1.11	ME 1.00	NH 1.10	RI 1.15	VT/NY 1.09
0-4			50,982	46,385	41,788	45,968	48,057	45,550
5-9	48,000*		55,162	50,189	45,215	49,737	51,997	49,285
10-19			59,686	54,835	48,923	53,815	56,261	53,325
20-29			63,313	59,331	52,934	58,228	60,874	57,698
30 +			64,580	64,196	57,275	63,003	65,866	62,429

*The cost of living adjustment (COLA) is based on Cost of Living Calculator for the cost of living in an urban area in each state in 2014. The COLA on this chart is 10% *less than* the actual cost of living adjustment. The Cost of Living Calculator may be found online at <http://www.top50states.com/cost-of-living-by-state.html>

**National median cash salary for pastors with 5-10 years' experience in the U.S. is \$48,000 in 2014 according to www.payscale.com

The above chart is an exact replica of the defined compensation chart for full time clergy with one difference. Each amount was reduced by 7.65% to account for the Social Security Allowance that is included in defined compensation for Pastors, but not in compensation for Deacons.

Appendix I

Deacon's Defined Compensation Worksheet

Defined compensation (Cash salary) _____

Years of experience: _____

Minimum Defined Compensation (from Appendix H) _____

Appendix J

Links

Portico continues as a separately incorporated ministry of the ELCA. These links to Portico will continue to guide you there during the transition:

Portico home page: <https://www.porticobenefits.org/>

Benefits Calculator: <https://employerlink.porticobenefits.org/Home/Resources/ContributionRates>

IRS Home Page: <http://www.irs.gov>

Appendix K

Goal and Vision of Faithful and Just Compensation for Rostered Ministers:

AMENDMENT: To include, as an appendix, the originally proposed compensation guidelines (below), as a goal and vision of faithful and just compensation for rostered leaders.

The Compensation Guideline Task Force gave this proposal to Synod Council at the November 2014 meeting. Synod Council requested that we further explore this proposal throughout the synod at conference meetings January – February 2015. This was a cooperative time of engaging this material and preparing an appropriate proposal for Synod Council to approve in March 2015 before ultimately being presented for vote at Synod Assembly in June 2015. This is original proposal was discussed at all conference meetings before the revision that was approved by Synod Assembly.

Minimum Cash Salary for Full Time Pastors

Years of Service	National Median	**CT 1.22	MA 1.11	ME 1.00	NH 1.10	RI 1.15	VT/NY 1.09
0 - 5	*48,000	58,560	53,280	48,000	52,800	55,200	52,320
5 - 10	57,000	69,540	63,270	57,000	62,700	65,550	62,130
10 - 20	65,000	79,300	72,150	65,000	71,500	74,750	70,850
20 +	71,000	86,620	78,810	71,000	78,100	81,650	77,390

*National median cash salary for pastors with 5-10 years' experience in the U.S. is \$48,000 in 2014 according to Pay Scale. Housing allowance is additional. The Median of \$48,000 was placed in the 0-5 years of service because Pay Scale includes pastors of all types of religious organizations, many of which do not require a Master's Degree.

**The cost of living adjustment on this chart is 0.10% *less than* the actual cost of living according to <http://www.top50states.com/cost-of-living-by-state.html>

Minimum Housing Allowance for Full Time Pastors without Parsonage

CT	MA	ME	NH	RI	VT / NY
16,296	22,200	15,144	15,696	16,596	15,180

*Based on 2014 median cost of rental for each state from Cost of Living Calculator.

Calculating Defined Compensation

Defined Compensation for a Full Time Pastor without Parsonage:

Cash Salary (including SECA) + Housing Allowance = Defined Compensation

Defined Compensation for a Full Time Pastor with a Parsonage:

Cash Salary (including SECA) + Parsonage Value (30% of Cash Salary) = Defined Compensation

Note: SECA is Social Security Allowance. The standard suggested rate is 7.65 % of cash salary and housing allowance.

About these Minimum Guidelines

If the congregation does not currently meet the minimum guidelines, then it is strongly recommended that a plan be created to reach the minimum (by state & years of service) by the year 2019.

If the congregation meets the minimum guidelines for the pastor according to state and years of service, then it is recommended that overtime, the congregation recognize the pastor's contribution and years of service with incremental increases. Compensation should be adjusted upward and be building toward the next new minimum and beyond.

Minimum Cash Salary for Full Time Deacons

Years of Service	CT	MA	ME	NH	RI	VT/NY
0 - 5	69,129	69,706	58,313	63,256	66,304	62,336
5 - 10	79,269	78,931	66,625	72,399	75,862	71,396
10 - 20	88,283	87,132	74,013	80,525	84,358	79,449
20 +	95,043	93,283	79,554	85,683	90,730	85,488

About these Minimum Guidelines

If the congregation does not currently meet the minimum guidelines, then it is strongly recommended that a plan be created to reach the minimum (by state & years of service) by the year 2019.

If the congregation meets the minimum guidelines for the leader according to state and years of service, then it is recommended that overtime, the congregation recognize the leader’s contribution and years of service with incremental increases. Compensation should be adjusted upward and be building toward the next new minimum and beyond.