

December 19, 2016

Summary of Changes for 2018 Southeastern Synod Compensation Guidelines

Dear Synod Council,

This year we have introduced a number of potential revisions to our guidelines, in order to improve them as well as keep them up to date and relevant. Below is a brief summary of our proposed changes for 2018. Since we have a number of changes, two documents have been provided for your review. One is a “marked up” copy which shows all proposed changes in color, as well as all previous text as “strike-through” so that you can see every proposed change. For ease of viewing, another copy is “clean” with no mark ups and should include everything in finished form for 2018 down to format details and accurate page number references. All page references below refer to the “clean” finished copy.

- Our first proposed change is in the name of the document itself, adding the word “benefits” to re-name our document “Compensation & Benefits Guidelines.” Since many recommendations go beyond direct monetary compensation (vacation, sabbatical, parental and family leave, sick leave, etc.), we discerned that a title which more reflected the whole of our document would be fitting. Also, we didn’t want to lose potential readers looking for assistance with benefits who might assume “compensation” only covered salary.
- We also propose changing the introduction from “Preface” to “Our Shared Purpose” (p. 3). Existing preface language is largely a historical introduction, which though informative, is also potentially dry and may quickly lose the interest of readers. Our revised introduction is more of a team approach, meant to engage the reader as a partner in ministry. We hope readers will have a sense of connection and ownership, that these are our guidelines, created by lay members and rostered leaders together for the wellbeing of our church.
- Throughout the document, we revised wording based on recent ELCA language changes pertaining to all rostered ministers of service. Per ELCA protocol, all “associates in ministry,” “diaconal ministers,” and “deaconesses” are now referred to as “deacons” and overall are referred to as “ministers of word and service.” Clergy in our document are referred to as “pastors” and overall as “ministers of word and sacrament.”
- Throughout the document are minor language clarifications (no changes in policy) as well as additional resources/links. For example, on page 4 (and Table A, p. 16), we added/clarified some housing and social security language to help readability and clarity.
- In terms of totally new information, on pages 5-6 we added a proposed section on part-time ministry possibilities. Although we didn’t directly address increased challenges with membership and finances in various congregational settings, we thought it would be

helpful, in understanding this current trend and potential continuation in the future, to offer a descriptive section on part-time ministry.

- On page 10, we significantly clarified language on reimbursement, which in its current legal language form, was difficult to follow.
- The final significant update proposed for 2018 is a 2% cost of living increase, which has been factored into the salary grids (Table A, p. 16 and Table B, p. 18). No other increase is proposed. This COLA is the same as last year's proposal, and is based on the most recent government CPI projection for 2018 of 2.0%.

Final Note:

With a new administration upcoming in the White House and discussion of potential national health care changes, we may need to tweak the Portico/healthcare components of the guidelines between now and calendar year 2018, depending on what if any Portico changes come about (for the sake of relevancy and keeping our guidelines up to date). However, with no tangible changes or plans in place as of yet from our President-Elect or Congress, no healthcare change or mention of potential change has been made to our proposed 2018 guidelines.

The Guidelines Team has truly been a team working together faithfully this year to produce improved and updated potential changes to our document, and we continue striving to produce excellent guidelines which are equitable and relevant for the sake of our whole church and for the ministry we share together through Christ Jesus. Blessings and thanks for your consideration of our proposals and for your faithful service as Synod Council.

In Christ,

Pastor Mark Beatty, Chair

Southeastern Synod Compensation Guidelines Committee

beattymd@msn.com

(404) 434-9806

2018 COMPENSATION & BENEFITS GUIDELINES

ELCA-Southeastern Synod
100 Edgewood Ave., NE, Ste. 1600
Atlanta, GA 30303
(404) 589-1977
(404) 521-1980 (FAX)

*This document can be downloaded from the synod website - www.elca-ses.org
Other helpful websites: www.porticobenefits.org and www.irs.gov*

Latest revision – December 2016

TABLE OF CONTENTS

Page 3	Our Shared Purpose
Page 4	Defined Compensation
Page 5	Benefits
Page 5	Part Time Ministries
Page 6	Issues for All Rostered Ministers Stewardship of Life
Page 7	The Role of a Mutual Ministry Committee and Personnel Committee Review of Ministry Performance
Page 8	Vacation Holidays Illness Family Care Leave
Page 9	Parental Leave Continuing Education
Page 10	Reimbursement Transportation Reimbursement Interim and Supply Pastors
Page 11	Special Services Guidelines for Extended Study (Sabbaticals) for Rostered Ministers
Page 13	Worksheet – Rostered Ministers of Word and Sacrament (Pastors) with Housing Allowance
Page 14	Worksheet – Rostered Ministers of Word and Sacrament (Pastors) Living in Parsonage –
Page 16	Table A: Rostered Ministers of Word and Sacrament (Pastors) Minimum Base Salary
Page 17	Worksheet – Rostered Ministers of Word and Service (Deacons)
Page 18 Salary	Table B: Rostered Ministers of Word and Service (Deacons) Minimum Base
Page 19	Appendix A – Questions Often Asked
Page 21	Appendix B – Additional Resources
Page 22	Appendix C – ELCA Portico Benefit Services Rate Schedule
Page 23	Appendix D – Housing Allowance Resolution
Page 24	Appendix E – Professional Expense Accountable Reimbursement Policy
Page 26	Appendix F – Parsonage Allowance Checklist

OUR SHARED PURPOSE

Together we are the synod, so no matter your role in ministry, these guidelines are for you. Our Guidelines Team of rostered ministers and lay congregational leaders works together each year to provide relevant, healthy compensation and benefits guidelines for rostered ministers that thoughtfully consider both the rostered ministers and the congregations, agencies, and synod which they serve. Compensation can be an awkward topic in the church, and our goal is to help foster positive conversation and financial planning for effective ministry together. The purpose of the Compensation & Benefits Guidelines is to give congregations and agencies the tools they need to advocate for and partner with rostered ministers. By promoting appropriate compensation and benefits, we hope to strengthen our collective ministry to all God's people. These 2018 compensation guidelines have been prepared by the Guidelines Team (Compensation & Benefits Guidelines Committee). Members include: Rev. Mark Beatty (Roswell, GA), Chair; Ken Anderson (Prince of Peace, Alpharetta, GA); Sabra Black (Holy Trinity, Marietta, GA); Rev. Kim Stover (All Saints, Lilburn, GA), Mr. Mark Ritter (Holy Trinity, Marietta, GA), and AIM Michelle Angalet, Synod Staff Liaison.

Every year, these guidelines are revised and edited by the Guidelines Team, then sent to Synod Council for approval. The Synod Council submits the Guidelines to the Synod Assembly for adoption and use by congregations, agencies and the Synod itself. This document should not be considered legal or tax advice. We encourage individuals and organizations to consult a financial professional as needed.

It is strongly urged that synod assembly voting members take these guidelines back to their respective congregation, agency or to the Synod itself. Care should be taken to ensure that these guidelines are placed into the hands of congregational/agency/Synod Mutual Ministry and/or Personnel committees, or to the Church Council if neither committee exists. As these guidelines are designed to 1) advocate for all rostered ministers in matters regarding compensation, and 2) assist congregations/agencies/the Synod in making compensation decisions, it is essential that they be shared with those responsible for advocacy and decision making. In order for advocacy to be most effective and beneficial for the rostered ministers and those they serve, every good-faith attempt should be made to place these guidelines into the hands of those responsible for advocacy on behalf of rostered staff. *See page 7 for a description of the role of Mutual Ministry and Personnel Committees in advocating and making compensation recommendations on behalf of rostered staff.*

How to use these guidelines:

The guidelines are intended for ongoing use both for initial call of a rostered minister and for preparation of each annual budget. For each annual review and budgeting process, the congregation consults/includes the most recent Compensation & Benefits Guidelines in determining the compensation package for rostered ministers. Then the updated "Definition of Compensation, Benefits, and Responsibilities of the Pastor" form is completed/submitted to the synod office annually. ([http://download.elca.org/ELCA%20Resource%20Repository/Compensation and Benefits for a Pastor Form.pdf](http://download.elca.org/ELCA%20Resource%20Repository/Compensation%20and%20Benefits%20for%20a%20Pastor.pdf))

For additional questions please contact:

The Rev. Mark Beatty, Chair
(404) 434-9806
beattynd@msn.com

Deacon Michelle Angalet, Synod Staff
Liaison 404-589-1977
mangalet@elca-ses.org

DEFINED COMPENSATION**Defined Compensation (per ELCA and Portico standards) comprises three components: Salary, Housing and Social Security allowance**

Minimum Base Salaries: Recommended minimum salaries have been based on the Rostered Minister's education, responsibilities, years of experience, and size of congregation. Additional compensation should be considered if special circumstances are indicated. Special circumstances may include useful experiences, skills, credentials, or the complexity of the situation. A Rostered Minister may have relevant, ministry-related work experience prior to entering the ministry which a congregation/agency/Synod is encouraged to consider when factoring in years of experience for setting salary.

Housing Allowance provided for pastors: The housing allowance is intended to cover actual housing expenses that enable the rostered minister to live within the community in which he/she serves. To help discern the amount to provide, we recommend using either of the following two methods: 1. Housing allowance based on home market values in the community in which the pastor serves, plus utilities, plus taxes, or 2. Housing allowance based on local community home fair rental values, plus utilities plus taxes.

Housing Designation for Tax Purposes: The amount of housing allowance that can be excluded from taxable income is always the smallest of the following three amounts:

- a. the amount, officially designated in advance, as housing allowance by the pastor's congregation/church organization; or
- b. the amount spent for the pastor's primary residence (down payment, mortgage principal and interest, utilities, taxes, insurance, furnishings, maintenance, etc.); or
- c. the fair rental value of the pastor's home including furnishings and cost of utilities (owned or rented).

It's important to note that housing allowance can be excluded only if it is officially designated through a resolution, minutes or budget identification, before such payment is made (i.e. before Dec. 31, 2017 for compensation in 2018).

Please note that designation of housing for tax purposes only affects taxes for pastors, and not the contribution amount from congregations for housing.

Resources for calculating market values in a community include Zillow.com and Bankrate.com.

***Please note:** IRS regulations DO NOT permit housing allowances for Rostered Ministers of Word and Service.*

Social Security: Unlike other employees, Pastors are considered self-employed for purposes of Social Security, and are required to compute and pay self-employment Social Security Tax (SECA). We recommend that all Congregations/agencies/Synod include a Social Security Allowance. The Social Security Allowance in the Pastor's compensation must be declared as income. Therefore, when a congregation/agency/Synod seeks to offset this – they should take into account not only the amount, but also the net effect on taxable income. The SECA rate is 15.3% of salary and housing. Whereas one half of the social security would be 7.65%, it must be remembered that the rostered person receives this social security offset as income – with all applicable taxes. Therefore, since clergy are listed by the IRS as self-employed it is recommended that congregations/agencies/Synod consider an amount higher than the 7.65% so that the clergy receives the full benefit of the offset. (Accountants have told us that for the pastor to receive the full one half of social security allowance the amount in this line should be around 13%.) As a result, we recommend a social security allowance of 13% of salary and housing.

***Please note:** The IRS regards Rostered Deacons as employees of the congregation/agency/Synod, therefore the congregation/agency/Synod must pay the employer portion of Social Security. No other Social Security allowance is allowed for Rostered Deacons.*

BENEFITS

Retirement & Health Care: It is the expectation of the Southeastern Synod that all congregations/agencies/Synod provide a Retirement and Health Care Program for all Rostered Ministers. The cost for the ELCA Retirement, Survivor Benefits, Administration cost, Medical, Dental and Disability Insurance is calculated as a percentage of the Rostered Minister's compensation. This synod encourages all congregations/agencies/Synod to contribute to the Retirement Plan at a minimum of the 12% rate.

Auto Expense Reimbursement: The congregation/agency/Synod should reimburse miles traveled in carrying out duties as a Rostered Minister at the rate allowed by the IRS. Miles traveled commuting are not reimbursable. Transportation reimbursement is not considered a benefit, but a normal operating business expense of the congregation/agencies/Synod. (See www.irs.gov)

Continuing Education: It is expected that all Rostered Ministers will participate in continuing education programs that enhance ministry and enrich congregations/agencies/Synod. Congregations/agencies are expected to support these goals/ideals by providing to the Rostered Minister a **MINIMUM** of two paid weeks including two Sundays (outside of vacation) per year and \$1,000.00 per year, cumulative for three years.

Professional Liability/Malpractice insurance: Changes in societal attitudes are making Pastor, Deacon, staff, and congregations/agencies/Synod more vulnerable to malpractice claims. Therefore, the congregation should provide professional liability coverage for pastors and deacons. Questions regarding this insurance coverage should be addressed to the congregation's insurance agent. Coverage for a lay professional should be evaluated based on the nature of his/her ministry, i.e. youth workers, musicians, teachers.

Health Examination: The synod encourages all Rostered Ministers to have a regular health examination. Please consult individual benefit plans for coverage details.

PART TIME MINISTRY CONSIDERATIONS

Various settings including multi-staff congregations and agencies, as well as smaller congregations and other settings, may warrant part-time calls as an ideal stewardship and resource solution for ministry. Interim ministry may be another suitable part-time call, particularly if the predecessor pastor was less than full-time and/or if resources in the congregation have decreased significantly. More than a few congregations have held on to the mindset of a full-time ministry model long after resources for full-time were no longer viable, only to eventually have to close the congregation as a result. In these cases, part-time ministry may be a creative and viable solution to sustaining and even re-growing ministry over time.

Specificity is also paramount when considering the creation of a new part-time call. In multi-staff settings, clarity of expectations is essential for 1. The specific duty area(s) of ministry to be covered, 2. Details of any general ministry also to be covered, and 3. Overall ministry *not* expected to be covered. In part-time solo pastor positions, specificity and clarity of teamwork is also essential. Clearly discern the primary top areas of focus for the new part-time clergy call, and plan as a congregation or agency to invest considerable time and energy in other areas of ministry. For example, if preaching and worship are top priorities, perhaps invest as a congregation in helping coordinate much of the visitation. If visitation is a primary focus for the pastor, perhaps invest as a congregation in helping with teaching, leading retreats, etc. For the sake of a healthy call and for long-term success, don't expect the part-time pastor (or part-time rostered minister of word and service) to do "everything." Even in full-time ministry settings, it's truly a shared ministry together. This is all the more essential in the planning and living out of part-time ministry together.

What are the hours for part-time ministry? As a guide, please refer to the "Stewardship of Life" section below, where we describe the overall pattern of full-time ministry. In it, we estimate around 45 hours per week as a suggested norm. With this model, ¾ time would be approximately

between 30-35 hours and ½ time would be approximately 20-25 hours. Any percentage of time is theoretically possible, though please note that if you consider anything less than half-time (under 20 hrs), this ministry is generally considered contract rather than a call, and is typically paid specifically by the hour with ELCA benefits not included.

What about salary and benefits? To be within the compensation guidelines, simply pro-rate the full-time amount. For example, a half-time call of 20-25 hours a week should include half of the suggested salary guidelines as a minimum amount. *Percentages* such as Social Security offset and Pension should stay the same, since they will be based on the lower (half-time) dollar amount. Vacation minimums, etc. should be the same as well, since they will be essentially pro-rated. For example, if a full-time pastor receives 5 weeks vacation, the same should be true for half-time. Simply account for the difference in time. If a half-time pastor works 3 days per week, a “week” of vacation would be those 3 days off. One exception to note is Portico, for ELCA health benefits. Their rates won’t necessarily be half for a half-time pastor. However, since they base their rates in part on defined compensation, the rate for a congregation to pay for a half-time pastor should generally be significantly lower than a full-time pastor. See porticobenefits.org for details.

What about creative part-time possibilities? Though we advocate for more Sundays off in the year for part-time pastors than full-time pastors (to be negotiated/agreed upon with the congregation/agency), the daily, weekly, and even monthly and yearly pattern of part-time ministry is full of unique possibilities depending on the setting. Potential arrangements include: 1. Shorter work days throughout the work week, 2. Full work days with more days off, 3. Full work weeks with additional weeks off (ex: 3 weeks on, one week off for ¾ time), 4. Full work months with certain months off (such as summer months), 5. Additional Sundays off, 6. Additional vacation time built in. The key, in today’s changing times and ministry settings, is to find a sustainable ministry model that works. One final note. The ideal time for a *transition* to a part-time call is in a new call. Existing calls can be very difficult to change, and ideally should only be transitioned to part-time when mutually agreed upon, whereby the call is mutually re-negotiated together. For further explanation and discernment of part-time, please see the link below from one of our sister ELCA synods.

<http://images.acswebnetworks.com/1/498/PartTimeMinistryGuidelinesfortheSouthwesternTexasSynodApproved091413.pdf>

ISSUES FOR ALL ROSTERED MINISTERS

STEWARDSHIP OF LIFE

As Christ's disciples, we are all exhorted to be good stewards of God's creation. Rostered ministers are called to model stewardship for those they serve. All rostered ministers are also reminded that they are to take care of themselves, so that they can take care of those that have been placed in their care. Rostered ministers are encouraged to take at least one full day off per week. These days off are to be taken. In addition, time should be taken for intentional prayer and spiritual self-care/wellness. These are times to recharge our "batteries" as well as our souls. Physical and emotional wellness are essential to positive ministry. All congregations/agencies/Synod are reminded that they should support all rostered ministers and their families in being good stewards in Christ's church.

One way to manage work and time off is to consider each day as divided into three segments: morning, afternoon, and evening. Each week contains twenty-one such segments. Working fourteen or fifteen of those segments, equaling approximately 45 hours, is suggested as the norm. At least one complete day off should be part of this schedule. During Lent and the Advent season more may be required. Correspondingly, some summer months may require less.

THE ROLE OF A MUTUAL MINISTRY COMMITTEE AND PERSONNEL

COMMITTEE

To support the rostered staff, each congregation/agency/Synod is expected to have a Mutual Ministry Committee as specified in the Model Constitution for Congregations, C13.04. According to this document, the committee members should be “appointed jointly by president and the pastor.” Terms of office shall be two years, with three members to be appointed each successive year. It is recommended that Mutual Ministry Committee members hold no other office in the congregation/agency/Synod during their term. It is recommended that there be a line of communication between Mutual Ministry and the congregation/agency/Synod Council.

The role of a Mutual Ministry Committee is to support and nurture a healthy relationship between pastor (rostered staff) and people. It does so by 1) encouraging and holding rostered staff accountable for the care of their spiritual, emotional and physical well-being; 2) working with rostered staff to plan and hold them accountable for continuing education that is based on the needs of the congregations/agencies/Synod as well as the professional development needs of the individual; 3) providing a forum of mutuality and trust in which rostered leaders can reflect on the work they are doing and their role in providing leadership and direction.

Although the Mutual Ministry Committee can advocate for adequate financial compensation for rostered leaders, it is recommended that compensation matters be addressed by a Personnel Committee or Church Council. For additional information about the role of Mutual Ministry in a congregation/agency/Synod, see Appendix B.

A Personnel Committee exists to make recommendations to the Council that enable the congregation/agency/Synod to carry out obligations as an employer. As supervisor of staff, the pastor may be a member of this committee. Personnel Committees provide an evaluation system and ensure that rostered staff receives regular evaluations of their performance. They also annually review the compensation of rostered staff and make recommendations to the Budget Committee or Council about merit increases or suggested changes to compensation. Personnel Committees develop, publish and maintain the Personnel policies of the congregation/agency/Synod. The Southeastern Synod has a model personnel policy for congregations/agencies/Synod. It is available on the synod web site or by contacting the synod office.

REVIEW OF MINISTRY PERFORMANCE

In addition to working with a Mutual Ministry Committee, regular reviews of rostered ministers can provide an opportunity for both the rostered minister and the congregation/agency/Synod to identify and develop ministry and leadership needs for the congregation/agency/Synod. This review of ministry should be a mutual rather than one-way process. As such, time should be taken to review *both* the rostered minister’s role in the effectiveness of ministry *and* the congregation’s role in the effectiveness of ministry, as well as the effectiveness of the rostered minister and congregation/agency/synod working together. The goal is to foster mutual accountability, investment, and growth, for the sake of successful overall ministry together in Christ. It is suggested that a rostered minister participate in a ministry review at least once a year, preferably not in conjunction with the preparation of the employer’s budget. Where a Personnel Committee exists, it should have responsibility for oversight of this process. Where there is more than one rostered minister

serving in a congregation/agency/Synod, the senior pastor and Personnel Committee should together determine a fair process of evaluation for all members of the rostered staff. Where there is no Personnel Committee, the Executive Committee (officers of Council) typically serves in this role.

While an annual review may be regarded as sufficient, it may not provide the best overall assessment of an individual's ministry or of the employer's ministry. More frequent reviews can aid in further development of positive leadership qualities as well as pinpointing potential areas of conflict. Early identification can lead to more effective ministry. *(See Appendix B for Additional Resources.)*

VACATION

Rostered Minister:

- a. Synod minimum standard is four weeks, including four Sundays per year.
- b. It is recommended that after each additional ten years in ministry, one additional week of vacation (including one Sunday) be given.

1-10 Years of Service	4 weeks paid vacation, including 4 Sundays
11- 20 Years of Service	5 weeks paid vacation, including 5 Sundays
20+ Years of Service	6+ weeks paid vacation, including the same number of Sundays

HOLIDAYS

1. According to ELCA Churchwide Policy, the following days are recognized as holidays: New Year's Day, Martin Luther King Day, Good Friday or Easter Monday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.
2. Holidays are to be granted as days off, in addition to regular days off and vacation days. When the services of the pastor are required on a recognized holiday, an alternative day off is to be provided.

ILLNESS

1. The synod recommends up to 20 days of sick leave in a 12-month period. These – should not be accrued and carried forward from year to year.
2. In catastrophic situations, it is recommended that Congregation/Agency/Synod Councils -provide two additional months of sick leave to cover the individual until disability coverage begins, provided that there is proper documentation from the appropriate physician (ELCA Retirement and Benefits Plan provides disability coverage beginning with the start of the third month of disability).

FAMILY CARE LEAVE

The Synod recommends that a family care leave plan be established between the rostered minister and the congregation. Such a plan should include specific conditions for the rostered minister to be allowed to take a leave from duties to care for an immediate family member who is seriously ill. Immediate family includes, but is not limited to: spouse, children, & parents of the rostered minister. Such leave should include up to 4 weeks of full salary and benefits. This 4 weeks could be taken all at one time or broken down as daily time off depending on the circumstances and needs of the person receiving the care. This

plan should be discussed and negotiated in writing in advance of any need. Any unused time during the current calendar year will not be carried over to the next year.

PARENTAL LEAVE

1. The Synod recommends providing parental leave. A parental leave plan shall be drawn up in open consultation with the rostered minister and the mutual ministry committee, with the final approval of the congregation/agency/Synod council. Specific conditions, including number of weeks leave before and after the birth or adoption of a child, should be negotiated in advance in writing. Parental Leave should be based on whether parent is Primary or Secondary Care Giver.
2. In the case of a birth, Primary Caregivers are females who give birth, and leave should include a minimum of six weeks of full salary and benefits. Leave for Secondary Caregivers should include a minimum of four weeks of full salary and benefits.
3. In case of adoption, the Primary Caregiver is whichever parent has primary care responsibility of the adopted child. Leave for Primary Caregivers should include a minimum of six weeks of full salary and benefits. Leave for Secondary Caregivers should include a minimum of four weeks of full salary and benefits.
4. When both parents are pastors (either in the same congregation/agency/Synod or separate ones), both should be given the recommended leave.

CONTINUING EDUCATION

1. It is expected that all rostered ministers will participate in three years of **First Call Theological Education** and that the congregation/agency/Synod will support this with paid time off and funding.
2. It is expected that all rostered ministers will participate in 50 contact hours a year of education (beyond first call education) that enhance ministry and enrich congregations/agencies/Synod. One contact hour represents 50 minutes of classroom instructional session or equivalent; which may include courses, workshops, seminary classes, independent study toward a specific goal, etc.
3. Congregations/agencies/Synod are expected to support these continuing education goals/ideals by providing to the rostered minister a **MINIMUM** of two paid weeks including two Sundays (outside of vacation) per year and \$1,000.00 per year (\$1,250.00 per year for rostered ministers in their first three years of service), cumulative for three years. Rostered ministers are expected to contribute an additional \$300.00 per year.
4. Congregations/agencies/Synod are expected to provide a minimum of \$250.00 for publications and media resources.
5. Official Meetings - Synod assemblies and synod-sponsored professional leadership conferences are official meetings of the synod. It is expected that all rostered ministers will attend these meetings and funding, plus paid time off, will be provided by the congregation/agencies/Synod, as they are a part of their call to the employing organization. **This time off and related expenses are in addition to vacation time and continuing education time.**
6. To accomplish Continuing Education goals, a CONTINUING EDUCATION COVENANT between the rostered minister and congregation/agency/Synod is strongly encouraged. When a rostered minister leaves their call for a reason other than retirement, unused continuing education funds shall be paid directly to the rostered minister.

REIMBURSEMENT

Reimbursements of expenses incurred by employees (whether rostered or otherwise) in performing their duties are generally not taxable to the employee and do not need to be reported by the employer as taxable income.

The general rule is that so long as such expenses are not personal but rather are incurred on behalf of the employer they will qualify for nontaxable treatment.

The IRS regulations require that certain processes be followed when employees submit such expenses for reimbursement:

1. The Professional Expense Accountable Reimbursement Policy (See Appendix E) must be adopted by the congregation/agency/Synod council as the employer.
2. Under the Policy, employees submit receipts and similar documentation of the date, amount and purpose of the expense being reimbursed so that the reimbursements they receive will not be included in their taxable income.

TRANSPORTATION REIMBURSEMENT

The congregation/agency/Synod should reimburse miles traveled in carrying out duties as a rostered minister at the rate allowed by the IRS. The current rate can be found at www.irs.gov (search for “standard mileage rates”). Miles traveled for commuting are not reimbursable.

The rostered minister should submit a signed report each pay period or no less than monthly to the responsible financial officer of the congregation/agency/Synod. Another alternative is for the congregation/agency/Synod to lease a car for the rostered minister or to pay a car allowance. Personal use of leased cars is to be reimbursed to the congregation/agency/Synod or taken as taxable income. Transportation reimbursement is not a benefit, but a normal operating business expense of the congregation/agency/Synod.

INTERIM AND SUPPLY PASTORS

In order to avoid misunderstandings, it is recommended that all fees and reimbursements be agreed to and signed off by all parties prior to the onset of services.

1. A Contract Interim Pastor shall receive remuneration of a minimum of \$30-\$50 per hour, or at a rate mutually acceptable (to be negotiated and put in writing prior to onset of services), mileage reimbursement (current rate can be found at www.irs.gov, search for “standard mileage rates”), and related business expenses (e.g., telephone, postage, meals, hotel, etc.). If said Interim Pastor leads worship, the costs for a "supply pastor" (see #4 below) shall also apply. If pastoral services are shared by an interim and a supply pastor the remuneration shall be negotiated based on work load and put in writing
2. A full-time Interim Pastor shall normally receive remuneration comparable to the previous pastor or within synod guidelines considering the experience and skills of the Interim Pastor. Housing (either parsonage or housing allowance) is to be provided and reimbursement (current rate can be found at www.irs.gov; search for standard mileage rates) and related business expenses (e.g., telephone, postage, meals, etc.).
3. A part-time Interim Pastor shall receive remuneration and housing proportionate to the percent of time spent relative to a full-time Interim Pastor.

4. A supply pastor shall receive (This would apply to any rostered person serving as worship leader):
 - a. Preaching - one service = minimum of \$150.00; two services = minimum of \$180.00; each additional, same day, service = \$40.00 each;
 - b. Other supply services such as meetings, confirmation, calls, etc. shall be paid at a minimum of \$30 to \$50 per hour, or at a rate mutually acceptable (to be negotiated and put in writing prior to onset of services);
 - c. Mileage shall be reimbursed at the IRS standard business rate (current rate can be found at www.irs.gov; search for standard mileage rates);
 - d. All reasonable hotel and meal costs shall be reimbursed.
5. Interim and supply pastors are encouraged to have an honorarium/fee schedule for special services, i.e. weddings and funerals, and related mileage expense rates.

SPECIAL SERVICES (e.g., workshops, consultations, retreats, etc.)

Rostered ministers are to negotiate with congregation/agency/Synod for remuneration and related expenses (to be negotiated and put in writing prior to the onset of services).

GUIDELINES FOR SABBATICALS FOR ROSTERED MINISTERS

The Southeastern Synod is an advocate of sabbaticals for rostered ministers. The Synod Council and Synod Assembly urge calling bodies to recognize the value of a time for Sabbath rest and renewal through prayer, biblical and theological reading and reflection, spiritual direction, professional skill development, personal relationship strengthening, and relaxation.

Congregations/agencies/the Synod are asked to provide time and financial support to allow rostered ministers to experience not only the blessing of weekly Sabbath time, but also the blessing of extended Sabbath time that a sabbatical allows. Just as missionaries around the world are given furlough leave from their responsibilities on a regular rhythm, so, too, should our mission leaders, working for our Lord on their mission fields, be given the furlough that is a sabbatical leave. This is vital for Southeastern Synod leaders and the congregations/agencies/Synod they serve.

The following Guidelines are provided to assist rostered ministers and calling bodies in the provision of sabbatical leave.

1. Letters of call for rostered ministers should include the calling bodies' intention to provide a sabbatical at the appropriate time.
2. Rostered ministers and calling bodies ideally should begin planning sabbatical leave at least a year in advance of the proposed leave, and are asked to consult with the bishop's office as planning begins.
3. Sabbatical leave normally will be for a minimum of three months, with no specific maximum duration. Some synods offer up to 12 months in duration. Durations beyond the minimum three month guideline should be mutually determined and agreed to in the sabbatical covenant between congregation/agency/Synod and rostered minister.
4. Rostered ministers who have a minimum of seven years in rostered, full-time ministry are eligible for a sabbatical leave every five years of continuous service in their current call.
5. A rostered minister shall agree to serve the calling body for a minimum of one year following the completion of sabbatical leave. Exceptions to this policy because of

- unusual circumstances must be discussed by the rostered minister with the calling body and the bishop.
6. The base salary, housing allowance or housing equity allowance (if applicable), Social Security offset, retirement contribution, and health care coverage should be maintained at the current level, with the rostered minister assuming responsibilities for all other personal and family expenses. Continuing education funds may be used for seminars, workshops, retreat time, etc., in accordance with the guidelines for continuing education found in this document.
 7. During the time when the rostered minister and calling body are apart from each other, both the congregation/agency/Synod and the rostered minister will be blessed by new experiences. Those experiences will bring about change in the relationship between the rostered minister and calling body. It can be helpful for both to anticipate this, plan for it, and prepare to celebrate the growth in discipleship which can occur.
 - a. It is suggested that mutual sabbatical goals for both the rostered minister and for the calling body be discussed, set, worked toward during the sabbatical, and reviewed when the sabbatical leave is concluded.
 - b. These goals should be established at least three months before the sabbatical leave begins, in consultation with the bishop's office, and should be approved by the rostered minister, the Congregation/Agency/Synod Council or supervisory group, and should be shared with the bishop.
 8. When the calling body begins to make plans for having others assume the normal responsibilities of the rostered minister during sabbatical leave, the bishop's office may be consulted for suggestions and ideas. During the rostered minister's sabbatical leave, a member of the bishop's staff may be present for a worship service or other occasion to represent the synod's support for this program.
 9. Rostered ministers on sabbatical leave are not expected to return to their calling body for pastoral or other responsibilities that others can assume, e.g. baptisms, weddings, funerals, youth retreats, council or board meetings, etc.
 10. When the sabbatical leave is over, the rostered minister and calling body will prepare a report summarizing goal accomplishment and re-entry challenges, and present that report to the council, board or supervisor in the calling body, and to the bishop's office. This report should be completed no longer than six weeks after the conclusion of sabbatical leave. A time of communal celebration should accompany both the beginning and the end of this time apart.
 11. An excellent resource for sabbatical planning is Clergy Renewal - The Alban Guide to Sabbatical Planning, by A. Richard Bullock & Richard J. Bruesehoff. Another is the Allegheny Synod Sabbatical Resources, which can be found at <http://www.alleghenysynod.org/sabbatical-resources>. Another is Wheat Ridge Ministries at <http://www.wheatridge.org/programs/grants/sabbaticalgrants/>. A final suggestion is the Lilly Foundation, whose information can be found at http://www.lillyendowment.org/religion_ncr.html.

WORKSHEET

Rostered Minister of Word and Sacrament with Housing Allowance - 2018 (Pastor)

A. COMPENSATION - (What Pastor Actually Receives)

1. Base Salary (*see page 16, Table A*) \$ _____
2. Housing Allowance (*see Appendix C*) \$ _____
3. Social Security Allowance (*13% recommended*) (*See page 4*) \$ _____

Because pastors are considered self-employed by the IRS for Social Security computations only, the Synod Council recommends that congregations/agencies/Synod provide a social security allowance.

4. Additional Compensation \$ _____
(i.e. tax sheltered annuity, life insurance NOT Social Security)
5. Total of 1, 2 and 4 \$ _____
6. Defined Compensation (Total of lines 3 and 5) \$ _____

B. RETIREMENT AND OTHER BENEFITS (*For Retirement only, the Synod Council strongly recommends 12%; see Appendix C)

1. ELCA Health Care, & Retirement Plan (*See Appendix C*) \$ _____ **
Information on medical health options through Portico available at www.porticobenefits.org.
2. Additional Benefits \$ _____
3. Total of lines 1 and 2 \$ _____
**Percentages and rate can vary. See current rate schedule.

C. EXPENSES

1. Transportation Mileage reimbursement (*see page 10*) \$ _____
(current rate can be found at www.irs.gov; search for standard mileage rates)
2. Publications & Media Resources (*Synod minimum is \$150/year*) \$ _____
3. Official Meetings (*includes synod assembly, Professional Leadership Conference, etc.*) \$ _____
4. Continuing Education (*see page 9, Synod minimum is \$1,000.00*) \$ _____
5. Total of lines 2, 3, and 4 \$ _____
6. When call is issued, moving expenses to this field of service are not to exceed \$ _____

D. NON-MONETARY BENEFITS

Check the corresponding box that the below benefit will be met (when applicable) according to guidelines.

1. Vacation (<i>page 8, Synod minimum 4 weeks for 1-10 yrs in ministry, 5 weeks for 11-20 yrs in ministry, 6 weeks for 20+ yrs</i>)	<input type="checkbox"/>
2. Parental Leave (<i>page 9, includes 6 weeks for females who give birth, 4 weeks for Secondary Caregivers</i>)	<input type="checkbox"/>
3. Sabbatical (<i>pp. 11-12, normally minimum of 3 months for each 5 yrs of consecutive service in same call once rostered leader has at least 7 yrs full time ministry experience</i>)	<input type="checkbox"/>
4. Family Care Leave (<i>page 8, up to four weeks, as applicable</i>)	<input type="checkbox"/>

WORKSHEET

Rostered Ministers of Word and Sacrament Living in Parsonage - 2018 (Pastor)

A. COMPENSATION

1. Base Salary (*See page 16, Table A*) \$_____
 - 1a. Additional Compensation
(i.e., a tax-sheltered annuity, life insurance, NOT Social Security) \$_____
2. Social Security Allowance (*13% recommended*) (*See page 4*) \$_____

Because pastors are considered self-employed by the IRS for Social Security computations only, the Synod Council recommends that congregations/agencies/Synod provide a social security allowance.

 - 2a. Total of 1, 1a & 2 \$_____
3. Estimate of Parsonage rental value.* \$_____
4. Parsonage Expenses
 - 4a. Utilities** \$_____
 - 4b. Furnishing \$_____
 - 4c. Housing equity allowance*** \$_____

* Due to the uncertainty of real estate markets and the diversity of communities within our synod, rostered ministers and congregations/agencies/Synod each research a fair and equitable agreement on the rental value of the parsonage. Also, this amount is not included in the leader's paycheck, but it is calculated because it must be reported as taxable income.

** Include only if the Pastor pays the utilities with funds provided by the congregation/agency/Synod. If the employer's treasurer pays the parsonage utilities, no figure should be included here, as it is not compensation.

*** The Compensation Guidelines Committee recommends that this be 3-6% of the Defined Compensation Amount.

5. TAXABLE DEFINED COMPENSATION (Total of lines 2a, 3, and 4a, 4b, 4c) \$_____

6. DEFINED COMPENSATION PAID TO LEADER (Total of lines 2a, and 4a, 4b, 4c) \$_____

B. RETIREMENT AND OTHER BENEFITS (*For Retirement only, the Synod Council strongly recommends 12%; see Appendix C)

1. ELCA Health Care & Retirement Plan (*See Appendix C*) \$_____

(Contact Portico for rates. They define compensation as A6 plus 30% of A2).
Information on medical health options through Portico available at www.porticobenefits.org.

2. Additional Benefits \$_____

Total of lines 1 and 2 \$_____

C. EXPENSES

1. Transportation mileage reimbursement (*See page 10*) \$_____

(current rate can be found at www.irs.gov; search for standard mileage rates)
2. Publications and Media Resources (*Synod Minimum is \$150/year*) \$_____
3. Official Meetings (*includes synod assembly, Professional Leadership Conference, etc.*) \$_____
4. Continuing Education (*See page 9, Synod minimum is \$1,000.00*) \$_____

Total of lines 1, 2, 3, and 4 \$_____
5. When call is issued, moving expenses to this field of service are not to exceed \$_____

D. NON-MONETARY BENEFITS

Check the corresponding box that the below benefit will be met (when applicable) according to guidelines.

1. Vacation (page 8, Synod minimum 4 weeks for 1-10 yrs in ministry, 5 weeks for 11-20 yrs in ministry, 6 weeks for 20+ yrs)	<input type="checkbox"/>
2. Parental Leave (page 9, includes 6 weeks for females who give birth, 4 weeks for Secondary Caregivers)	<input type="checkbox"/>
3. Sabbatical (pp. 11-12, normally minimum of 3 months for each 5 yrs of consecutive service in same call once rostered leader has at least 7 yrs full time ministry experience)	<input type="checkbox"/>
4. Family Care Leave (page 8, up to four weeks, as applicable)	<input type="checkbox"/>

TABLE A:
Rostered Ministers of Word and Sacrament Minimum Salary
(Pastor)

The minimum salary computations below do not include housing allowance for Ministers of Word and Sacrament buying/owning their own homes. A housing allowance should be added to the figures below.

These salaries are minimum levels, not a range. **None of these salaries reflect a maximum level in any of the categories.** It is recommended that congregations/agencies/Synod provide to their leaders the 2% Cost of Living increase that has been applied to this table for 2018. Congregations/agencies/Synod are encouraged to consider additional merit increases when superior work is recognized.

Years of Ordained Ministry	AVERAGE WORSHIP ATTENDANCE			
	Up to 99	100-199	200-299	300-399+
Up to 5	\$38,819-45,107	\$43,491-50,541	\$49,611-56,798	\$54,000-65,099
6-15	\$42,456-56,798	\$48,517-63,070	\$54,777-69,341	\$62,672-77,835
16-25+	\$54,780-68,735	\$61,044-75,619	\$66,910-82,069	\$74,759-90,371

Notes

- 1) Minimum Base Salaries above are for all pastors. Salaries should be calculated on basis of experience, level of responsibility and accountability. Relevant non-parish degrees and experience may also be considered as “years of experience.”
- 2) Minimum Base Salaries above may vary depending on location (e.g., rural, urban, suburban) and other factors from one congregation/agency to another.
- 3) Any housing allowance should enable the pastor to live within the community in which she/he is serving. We recommend providing a housing allowance based on either: 1. home market values in the community in which the pastor serves, plus utilities, plus taxes, or 2. local community home fair rental values, plus utilities plus taxes. The Internal Revenue code includes military personnel and ordained pastors in the same category relative to housing, and thus has established housing allowances for pastors who purchase homes. See Appendix D for a sample "Housing Allowance Resolution" as required by IRS.
- 4) Synod staff members are considered as serving in the largest congregation size. The Synod Staff should be compensated at this level plus 7.5 percent, while the Bishop should be compensated at this level plus 15 percent.

WORKSHEET

Rostered Ministers of Word and Service - 2018 (Deacons)

A. COMPENSATION

1. Base Salary (*see page 18, Table B*) \$_____
2. Additional compensation \$_____
3. Defined Compensation (Total of Lines 1 & 2) \$_____

B. RETIREMENT AND OTHER BENEFITS (For retirement only, the Synod Council strongly recommends 12%; see Appendix C)

1. ELCA Health Care, and Retirement Plan (*See Appendix C*) \$_____**
Information on medical health options through Portico available at www.porticobenefits.org.
2. Additional Benefits \$_____
3. Total of lines 1 and 2 \$_____
** Percentages and rates can vary. See current rate schedule.

C. EXPENSES

1. Transportation mileage (*See page 10*) \$_____
(current rate can be found at www.irs.gov ; search for standard mileage rates)
2. Continuing Education (*See page 9, Synod minimum is \$1,000.00*) \$_____
3. Publications and Media resources (*Synod minimum is \$150.00 per year*) \$_____
4. Official meetings (*includes synod assembly, Professional Leadership Conference, etc.*) \$_____
5. Total of lines 1, 2, 3, and 4 \$_____
6. When call is issued, moving expenses to this field of service are not to exceed \$_____

D. NON-MONETARY BENEFITS

Check the corresponding box that the below benefit will be met (when applicable) according to guidelines.

1. Vacation (<i>page 8, Synod minimum 4 weeks for 1-10 yrs in ministry, 5 weeks for 11-20 yrs in ministry, 6 weeks for 20+ yrs</i>)	<input type="checkbox"/>
2. Parental Leave (<i>page 9, includes 6 weeks for females who give birth, 4 weeks for Secondary Caregivers</i>)	<input type="checkbox"/>
3. Sabbatical (<i>pp. 11-12, normally minimum of 3 months for each 5 yrs of consecutive service in same call once rostered leader has at least 7 yrs full time ministry experience</i>)	<input type="checkbox"/>
4. Family Care Leave (<i>page 8, up to four weeks, as applicable</i>)	<input type="checkbox"/>

TABLE B:
ROSTERED MINISTERS OF WORD AND SERVICE MINIMUM
SALARY
(Deacons)

Because of the diversity of educational backgrounds, skills, jobs and responsibilities, minimum base salaries for Rostered Deacons are of necessity more loosely framed. In certain circumstances, a Rostered Deacon may be requested or required to perform certain, but limited pastoral duties. Thus, the congregations/agencies/Synod using these guidelines for Rostered Deacons should take into account all factors and circumstances known to them: responsibilities, preparation, performance of the individual and relevant non-parish degrees and experience.

These salaries are minimum levels, not a range. **None of these salaries reflect a maximum level in any of the categories.** It is recommended that congregations/agencies/Synod provide to their leaders the 2% Cost of Living increase that has been applied to this table for 2018. Congregations/agencies/Synod are encouraged to consider additional merit increases when superior work is recognized. Because the IRS does not permit designation of housing allowance for tax purposes for Ministers of Word and Service, salaries have been adjusted to provide adequate compensation.

Years of Certified Ministry (Certified by ELCA or predecessor body)	Bachelor's Degree (or equivalent)	Master's Degree
Up to 5	\$40,589-53,730	\$45,669-59,668
6-15	\$50,068-67,268	\$53,679-75,665
15+	\$61,188-77,780	\$65,793-87,790

In addition to basic salary and the required employer's Social Security (FICA) taxes and worker's compensation, benefits under the ELCA Portico Benefit Services should be provided for Rostered Deacons who work a minimum of 20 hours or more per week, for at least six months per year.

QUESTIONS OFTEN ASKED

Who should decide the pastor's salary?

In most congregations/agencies/Synod, the final recommendation to the congregation/agency/Synod regarding the salary for the pastor will be made by the organization's council. Resource material for this decision should include the synod guidelines, a local survey of pastor's salaries in the surrounding area, and any data you can find on merit increases currently being given in local industry. **Please keep in mind that in calculating salary for the pastor, you should not include any housing allowance.**

How do we use the synod guidelines?

The first thing to recognize is that the guidelines are designed to indicate a **range of minimums**. A **range of minimums** tries to give you some idea of a minimum salary for your pastor. Such things as average worship attendance, years since ordination, cost of living in your area, the knowledge and skill needed by the pastor, and the current salary of an incoming pastor should all be factored in to decide where your pastor should start. Once you have decided where the starting point should be, your plan each year should take the percent increase in the minimum guidelines, add that to the pastor's salary, and then add on any additional merit increase you feel is warranted. It is extremely important that you realize that the upper number in the ranges provided by the synod is not a MAXIMUM salary, but only the high end of the minimum.

If we cannot afford to pay at the current guidelines, what should we do?

First of all, recognize that paying your pastor below the synod guidelines often results in friction between the pastor and the council. Turnover may result and you will be faced with difficulty in replacing your pastor. The best advice is to lay out a two to three year plan and work toward bringing your pastor's salary in line with synod guidelines. Sharing this plan with the pastor will create an open environment based on trust and understanding. Then follow through with your commitment.

We are a new church with an experienced pastor. If we follow the guidelines, we would underpay our pastor. What do you suggest?

Guidelines are in fact only guidelines. They are not hard and fast rules! You should be sure that your pastor's salary properly reflects past accomplishments and years of service. New churches often experience high growth rates, and you may want to consider size of membership as opposed to the size of the worship service in the synod guidelines. Please realize that the recommendation is one that each church council must make. Guidelines only give you a starting point.

How do we get feedback from the pastor regarding his/her compensation?

The first thing to do is to build an atmosphere of trust and openness. We suggest that you form a mutual ministry committee which includes the pastor. The purpose of this group is to look at all issues such as working with the congregation/agency/Synod, spiritual needs of the pastor, physical needs, and family needs. The mutual ministry committee can be the advocate for the pastor and provide recommendations to the council. However, it is assumed that matters discussed with the pastor remain with the committee and confidences must not be violated.

We have members in our congregation/agency/Synod who believe that the total package is too

high. How do we explain a total package in a way that makes sense?

You need to distinguish between cost to the congregation/agency/Synod and what the pastor receives. A large part of the cost to the church comes in the form of retirement, health care, and travel expenses. For those of you who worked in industry, you probably received these same items, but never considered them part of your compensation. These are expenses to the congregation/agency/Synod much like the expenses a corporation has for the work of an employee. Therefore, it is inaccurate to consider them part of the pastor's salary. Base pay plus housing constitutes the bulk of what a pastor actually receives.

How do we reward the pastor for holidays worked or days off, missed, or interrupted by congregation/agency/Synod emergencies?

1) Insist that your pastor take days off to compensate for the lost time. Make sure the congregation/agency/Synod respects this time off. Pastors need time away to refresh themselves and we need to respect that. Inform your congregation of the pastor's personal time, and ask them to respect this need for time away. 2) Insist that your pastor take a sabbatical leave on a regular basis. 3) An alternative, not preferred or to be encouraged, is to consider pay in lieu of vacation days.

Do the clergy guidelines apply to Associate Pastors?

Yes. The basic intent of the guidelines should stay the same, but the specifics need to be modified or factored to reflect the differing roles each staff member has in the church.

Do the pulpit supply guidelines apply to all rostered leaders?

Yes!

What about guidelines for other non-rostered, full-time (30+ hrs) professional staff & support staff employees?

Recognizing the important role of such staff to the ministry of the congregation/agency/Synod, and the desire to have top quality, long-term employees, we make these recommendations:

Recognizing the diversity of the positions, as well as the salary ranges in different areas of this synod, we suggest that salaries for lay professionals should be roughly equivalent to the educators/teachers in the area. Support staff salaries should be equivalent to those in similar positions in the school system or businesses in the community where the congregation/agency/Synod is located.

Strong consideration should be given to treating these full-time lay professionals/support staff in a fair manner by making sure they receive appropriate health/retirement benefits (through the ELCA Portico Benefit Services): sick leave; vacation; disability; parental leave; continuing education funds and time off (other than vacation) to pursue these educational opportunities; and by providing mileage reimbursement in accordance with IRS guidelines.

Part-time positions: Consider partial benefits for part-time, depending on number of hours work.

ADDITIONAL RESOURCES

1. Church Law and Tax Report
(*order from: Christian Ministry Resources, PO Box 1098, Matthews, NC 28106; 707-846-2507)
2. A number of helpful resources can be obtained from the Alban Institute. (Please write or call for a catalog or brochure: Alban Institute, Suite 433, 4550 Montgomery Avenue, Bethesda, MD 20814-3341; 1-800-486-1318)
3. Pastor and People: Making Mutual Ministry Work
(Augsburg Fortress, 1-800-328-4648; Item No. 9780806646510)
4. Southeastern Synod model personnel policy for congregations. Available on the Southeastern Synod website or by contacting the synod office.
5. Information on health, benefits, retirement, and future retirement planning available through our ELCA benefit partner, Portico Benefits – www.porticobenefits.org
6. Housing: http://download.elca.org/ELCA%20Resource%20Repository/Things_to_Remember_About_Housing_Allowance.pdf?_ga=1.31391996.238060113.1434204883

PORTICO BENEFIT SERVICES 2018 RATE SCHEDULE For Leaders Under Call

Due to the Affordable Care Act, Portico Benefit Services is now offering different benefit levels. The Portico website has two calculators to help congregations/agencies/Synod calculate the cost of the different levels of benefits for their employees.

Congregations/agencies/Synod and leaders wishing to calculate the cost of benefits will normally use the **2018 Benefit Cost Calculator**. The congregation enters the leader's salary, pertinent family information (i.e. spouse, dependents) and other data into this calculator and the calculator reports the cost of each benefit level.

Congregations/agencies/Synod that have one lump sum available for benefits and salary should use the **Compensation & Benefits Allocation Calculator**. The lump sum can be entered into that calculator and it will break that amount down into salary and benefits.

Both calculators can be found here:

<https://employerlink.porticobenefits.org/home/resources/calculators.aspx>

For Leaders Who Are On Leave from Call or Retired

Leaders who are on leave from call or retired, and are not sponsored by an employer, may still be able to receive benefits at their own expense. To calculate the cost of these benefits, use this link to access the Portico website section for members on leave from call:

<https://myportico.porticobenefits.org/myportico/overviewlifechanges/onleavefromcall>.

For retired members, use this link to access the Portico

website: <https://myportico.porticobenefits.org/myportico/overviewlifechanges/retiring>

WAIVER OF MEDICAL/DENTAL COVERAGE POSSIBLE

Sponsored members and/or their spouses and children who are eligible for medical benefits coverage **through a spouse's employer** or through a former employer may waive ELCA plan coverage, while continuing to participate in the ELCA disability, survivor and retirement plans. In that case, we recommend the rostered person and congregation negotiate allocating that money to another area of the compensation package.

Note: Under the Affordable Care Act, an employee who elects to waive health insurance offered by the church may be subject to significant penalties *unless* the employee obtains health insurance coverage elsewhere (e.g., from a spouse's group health plan at the spouse's job or from an Exchange). More information can be obtained from the federal government at: <https://www.healthcare.gov/fees-exemptions/fee-for-not-being-covered/>

-- PLEASE NOTE --

THE SYNOD SUGGESTS A MINIMUM OF 12% RETIREMENT CONTRIBUTION FOR EACH PARTICIPANT. Though not reflecting Portico's slightly lower requirement, **this percentage is strongly recommended by the Southeastern Synod Council.** Portico rate changes are mailed to each congregation every fall. Southeastern Synod Compensation Guidelines are updated at that time with the identical information received by the congregations. If, at any during the year, you have questions concerning current rates, please contact Portico (800-352-2876).

HOUSING ALLOWANCE RESOLUTION

(Insert for congregation/agency/Synod Council Minutes)

In order to permit _____ (Name of Pastor) _____ to benefit from the provisions of Section 107 of the Internal Revenue Code of 1954, the council specifies that the total compensation paid to her/him during the fiscal year ended _____ (Subsequent Year) _____ includes a housing allowance. (Name of Pastor) _____ estimates that she/he will spend \$ _____ during the year for housing expenses. Since such approval by the council would permit her/him to deduct dollars actually spent up to the maximum allowed by the council action, provided the expenditure is within fair rental value, it is resolved that

The total compensation of \$ _____ (Amount) _____ paid to _____ (Name of Pastor) _____ include a housing allowance of \$ _____.

Signature_____
Title_____
Date

(The above resolution should be included in the minutes of the congregation/agency/Synod council prior to January 1 of each year. A copy should be made, signed and titled by the president or secretary of the congregation/agency/Synod, and given to the pastor(s) for his/her records.)

PROFESSIONAL EXPENSE ACCOUNTABLE REIMBURSEMENT POLICY

The following resolution was duly adopted by the congregation council of _____
 _____ Lutheran Church at a regularly called meeting held on _____, a
 Quorum being present.

Whereas income tax regulations 1.162-17 and 1.274-5(e) provide that an employee "need not report on his tax return" expenses paid or incurred by him or her solely for the benefit of his/her employer for which he/she is required to account and does account to the employer and which are charged directly or indirectly to the employer; and

Whereas income tax regulation 1.274-5(e) further provides that "an adequate accounting means the submission to the employer of a...statement of expense or similar record maintained by the employee in which the information as to each element of expenditure (amount, time and place, business purpose, and business relationship) is recorded at or near the time of the expenditure, together with supporting documentary evidence, in a manner which conforms to the 'adequate records' requirements" set forth in the regulation; and

Whereas _____ Lutheran Church desires to establish a reimbursement policy pursuant to regulations 1.162-17 and 1.274-5(e); therefore be it

Resolved, that _____ Lutheran Church hereby adopts a reimbursement policy pursuant to income tax regulations 1.162-17 and 1.274-5(e), upon the following terms and conditions:

1. Any pastor called, or any person now or hereafter employed by _____ Lutheran Church shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the church, if the following conditions are satisfied: (1) the expenses are reasonable in amount; (2) the person incurring the expense documents the amount, time and place, business purpose, and business relationship of each such expense with the same kinds of documentary evidence as would be required to support a deduction of the expense on the person's federal income tax return; and (3) the person documents such expenses by providing the church treasurer with an accounting of such expenses no less frequently than monthly. In no event will an expense be reimbursed if substantiated more than 60 days after the expense is paid or incurred by a pastor, associate in ministry or employee.
2. The church shall not include in a pastor's or employee's W-2 form the amount of any business or professional expense properly substantiated and reimbursed according to the preceding paragraph, and these persons should not report the amount of and such reimbursement on his/her Form 1040.
3. Any church reimbursement that exceeds the amount of business or professional expenses properly accounted for pursuant to this reimbursement policy must be returned to the church within 120 days after the associated expenses are paid or incurred and shall not be retained by the pastor, associate in ministry or employee.
4. If, for any reason, the church's reimbursements are less than the amount of business and professional expenses properly substantiated by a pastor or other employee, the church will report no part of the reimbursements on the person's W-2, and the pastor or employee may

deduct the un-reimbursed expenses as allowed by law.

5. Under no circumstances will the church reimburse a pastor or other employee for business or professional expenses incurred on behalf of the church that are not properly substantiated according to this policy. Church and staff understand that this requirement is necessary to prevent our reimbursement plan from being classified as a "non-accountable" plan.
6. All receipts and other documentary evidence used by a pastor or other employee to substantiate the business nature and amount of business expenses incurred on behalf of the church shall be retained by the church. The pastor or employee may, at his/her election, make copies of such evidence.

APPENDIX F

PARSONAGE AND MINISTER'S HOUSING ALLOWANCE EXCLUSION CHECKLIST

The below checklist is for general guidance on parsonage allowance rules. Each person's circumstances are unique and should be reviewed with a CPA or tax attorney to make sure that the right tax conclusion is reached with regard to his or her parsonage allowance.

1. ___ Does the recipient qualify as a "minister of the gospel"? The exclusion is limited to ministers of the gospel and requires that the service (i.e., the minister's functions) clearly contribute to the paying entity's activity and that the activity be explicitly religious. This includes individuals performing sacerdotal-type functions in a church or synagogue, including a rabbi and a cantor, but not a non-ordained student of a theological seminary serving as a part-time or assistant pastor (Reg. § 1.107-1(a); Rev. Ruls. 78-301; 57-522). It also includes ministers, priests, rabbis, and others working at certain non-sacerdotal but religious jobs for church organizations.
2. ___ Was the money for the allowance provided by a religious organization? Money received from a source other than a religious organization does not qualify as a parsonage allowance.
3. ___ Does the religious organization providing the money or home qualify as a church? A church for tax purposes must include a body of believers or communicants that assembles regularly in order to worship. Bringing people together for worship only as an incidental part of the activities of a religious organization is insufficient.
4. ___ Does the rental allowance exceed the fair rental value of the residence? A rental allowance exclusion cannot exceed the fair rental value of the house.
5. ___ Did the minister actually use the rental allowance to pay housing costs? A minister seeking to exclude a rental allowance can only do so to the extent the minister actually used the allowance to pay housing costs.
6. ___ Is the value of the home or allowance unreasonably large? If the value of the home or allowance, when combined with other forms of compensation, is unreasonably large, the excess value is not excludable (Rev. Rul. 78-448).
7. ___ Has the amount of the allowance been determined and designated in advance? A payment is excludable as a housing allowance only if the church or organization that employs the member of the clergy determines the amount and officially designates the payment in advance as a housing allowance before the payment is made (Reg. § 1.107-1(b); Rev. Ruls. 78-324; 72-462). The designation may be made in an employment contract, in minutes of or in a resolution by the employer, in a budget, or in any other appropriate instrument showing official action. It need not be procedurally formal or very precise.
8. ___ Are the following qualifying items included in the allowance? a. ___ furnishings? b. ___ maintenance fees? c. ___ utilities? The home or rental allowance may include furnishings, maintenance fees, and utilities (Reg. § 1.107-1(a)).
9. ___ Is the cost of food included in the allowance? The home or rental allowance may not include food (Reg. § 1.107-1(c)).

10. ____ Is the dwelling actually used for housing the clergy member? A parsonage or a rental allowance must be used as clergy housing to be excludable. It ceases to be excludable if the dwelling is rented to a third party.

11. ____ Does the member of the clergy claim a deduction for real property taxes and mortgage interest paid on the dwelling? The member of the clergy is entitled to claim a deduction for real property taxes and mortgage interest paid on his dwelling even though he receives a parsonage allowance for the dwelling. This double benefit is specifically allowed by statute (Code Sec. 265(a)(6); Rev. Rul. 87-32).

12. ____ Is the minister retired? The rental value of any parsonage, any parsonage allowance after a minister retires, and any other retirement benefits received from a church plan after a minister retires are not subject to self-employment tax (Code Sec. 1402(a)(8)).

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