

Compensation Guidelines for Rostered Leaders

2021

Presented by the Leadership Support Subcommittee of the
Professional and Lay Ministry Committee
and approved by the Synod Council of the
Central/Southern Illinois Synod
of the Evangelical Lutheran Church in America
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I. RATIONALE

This report on compensation contains a revision of the 2020 guidelines, "Compensation and Benefits for Ministers of Word and Sacrament and Ministers of Word and Service for the Central/Southern Illinois Synod." It is suggested that those who are responsible for the compensation of rostered leaders use this report as an aid in determining what fair and equitable compensation is for church workers. In addition to this report congregations may wish to consult other publications on compensation for church workers.

As congregations and church workers prepare their budgets for the coming year, this committee would offer a few suggestions or principles that have guided this report. They are:

1. **The Mutual Ministry Principle:** Lutheran theology affirms that ministry belongs to the whole body of Christ. It is recommended that each congregation establish a Mutual Ministry Committee to review and appraise the congregation's ministry. This committee can make salary recommendations to the congregation and advocate for the needs and concerns of the church worker. In addition, members of this committee can relate and share the needs and concerns of the parish to rostered leaders.

When it comes to compensation everyone worries about money! Pastors and church workers worry about their finances in the same way that church boards worry about funding their budgets. Should matters of compensation become irritants, it is important to seek qualified help. When problems arise, either for the congregation or the church worker, consult the bishop's office for help and guidance.

Congregations believe and trust in their pastors and church workers. Pastors and church workers love their ministries and congregations. Matters of compensation should never become adversarial and harm good relationships that exist in parishes.

2. **The Information Principle:** Guidelines or recommendations can be useful only if they are understood. Those responsible for compensation in the parish need good, reliable information. Hopefully, this report can fulfill such a need. As congregations work through this report, they will learn more about what is expected and necessary for good compensation planning. It is also recommended that congregations stay current with the tax laws and recent changes in the tax laws. Sound tax strategies and planning can maximize the compensation of church workers.

3. **The Cost of Ministry Principle:** It costs money, time, and effort for a congregation to carry on an effective

ministry. The cost of ministry is not the same as the remuneration given to rostered leaders. Remuneration or compensation is that amount of money that is paid to the church worker. This generally would include the base salary and housing allowance. These items accrue to the benefit of the worker. The cost of ministry includes all costs that a congregation incurs by virtue of having a church worker. This generally would include professional expenses, worker compensation insurance, car reimbursement, medical, disability, survivor and retirement plans. The cost of ministry is substantially higher than the compensation that church workers receive.

When preparing a budget, congregations are urged to separate the cost of ministry from the compensation paid to church workers.

All guidelines have limitations. Every issue of salary and compensation cannot be determined or settled in this report. Congregations, Ministers of Word and Sacrament and Ministers of Word and Service are encouraged to talk and negotiate with each other as mature Christian brothers and sisters. It is hoped that these guidelines will serve as an aid for such dialogue.

4. Due to the complex nature of the tax code as it relates to clergy and lay professionals, the committee for leadership support strongly recommends the use of a tax professional who is knowledgeable about such matters in the preparation of tax returns.

II. ANNUAL UPDATE IN THE FORMAT OF THE GUIDELINES

For 2021, the base salary guideline is given as a salary range for the number of years of service. Also, while the guidelines chart does not extend past 35 years of experience, we certainly do recommend that there be salary increases for church staff with more than 35 years of experience.

III. EXPLANATION OF THE COMPONENTS OF COMPENSATION

Note: All components apply to pastors and other rostered leaders, unless indicated otherwise.

1. Base (Basic Salary)

Direct monetary compensation or salary has been divided into levels, based on experience or years in the ministry. Each level provides a range of salary. Additional flexibility for the congregation in determining salary relates other factors for consideration. Such factors might include:

- a. Two point parish - add 3% to 5% of base.
- b. Senior Pastor with staff - add 3% to 5% of base.
- c. Advanced degree - add 3% to 5% of base.
- d. Merit - for exceptional work add 3% to 5% of base.
- e. Second career experience - Congregations are encouraged to recognize the previous work experience of second career church workers. Congregations may fully or partially recognize previous experience in determining the base salary, but some credit should be given in computing salary.
- f. Size or work load - Some congregations have special situations which merit increased salary. Some church workers carry heavy workloads which merit increased compensation. Normally, however, a congregation should increase the staff, rather than the compensation when the workload becomes too great for an individual.

Congregations are free to determine which of the above factors merit increases in the base salary. There may be other factors, which have not been considered in this report. The range in each level allows for flexibility, within the parameters established by years of service in the ministry.

2. Social Security Allowance

Social Security & Medicare Tax Allowance

While most clergy are considered employees for income tax purposes, they are considered self-employed for purposes of Self Employment Contributions Act (SECA) taxes, which means they carry the full burden of those taxes themselves.

An organization may choose to pay an amount directly to a pastor to use toward her or his Social Security and

Medicare tax. Providing the allowance helps the pastor avoid being at a disadvantage when compared to a lay employee, who pays only the employee's share of the Social Security and Medicare tax.

Calculating Social Security & Medicare Tax Allowance:

Consider increasing Compensation Using the Same Combined Employer Social Security/Medicare Tax Rate as Lay Employees (7.65%). This approach mirrors the manner in which Social Security and Medicare taxes are allocated between employers and lay employees.

Examples:

Social Security and Medicare Tax Allowance with No Parsonage	
1	Base Salary _____
2	Housing Allowance _____
3	Total of 1 + 2 _____
4	7.65% of line 3 = Social Security and Medicare Tax Allowance _____
Social Security and Medicare Tax Allowance with a Parsonage	
1	Base Salary _____
2	Furnishings and Utilities Allowance (if designated) _____
3	Utilities Paid by Organization _____
4	Fair Market Rental Value of Parsonage _____
5	Total of 1 + 2 + 3 + 4 _____
6	7.65% of line 5 = Social Security and Medicare Tax Allowance _____

Reporting Social Security & Medicare Tax Allowance:

- For tax purposes: the IRS considers Social Security and Medicare allowance as taxable income to the pastor. Any allowance is typically reported as part of the taxable income in box 1 on an IRS Form W-2; not in boxes 2 or 4.
- For benefit purposes: Portico Benefit Services includes any Social Security and Medicare Allowance in the defined compensation used for calculating retirement, health, and other benefit contributions.
- For organizational budgeting purposes: it may still be helpful to report Social Security and Medicare Tax Allowance as a separate accounting item for planning and interpretive purposes.

Additional Notes:

- The actual SECA tax liability must be calculated by the pastor at the time of filing his or her federal tax return and involves numerous adjustments and calculations. These calculations are the pastor's responsibility, and not the congregations.
- In some instances, Ministers of Word and Sacrament may be subject to SECA taxes on their ministerial earnings. In these situations, congregations should consider providing a Social Security and Medicare Tax Allowance.
- The current SECA tax rate of 15.3% was established in 1990. It was temporarily reduced by 2% in 2011 and 2012 but returned to 15.3% in 2013.

3. Housing

Note: Ministers of Word and Service are not to be included in this component.

Two housing alternatives are considered below:

- a) Parsonage: When a parsonage is provided, the congregation should pay for utilities and maintenance. The fair rental value of the parsonage is included in calculation SECA taxes (see page 3). In addition, defined compensation for benefit purposes is increased by 30% when reported to Portico Benefit Services.

Congregations providing a parsonage must also consider a housing equity allowance.

Housing Equity Allowance:

- The ELCA suggests that congregations provide pastors with a "housing equity" allowance if they live in parsonage. These funds can grow over time and can make home ownership possible for pastors who are retiring or moving to a new call where a parsonage is not provided.
- The ELCA recommends that either 3% of the pastor's total compensation or 5% to 10% of the base salary be designated and set aside as a housing equity allowance. Regardless of which figure is chosen, the congregation and pastor need to negotiate a figure that is mutually acceptable.
- The tax treatment, legal ownership, and management of housing equity funds can be complex, and may result in significant unplanned income and SECA tax liabilities for the pastor if not handled carefully.

Portico Benefit Services offers a convenient way to establish and manage housing equity contributions with simplified ownership and minimal tax consequences. These contributions are placed in the pastor's ELCA Retirement Plan account and are configured as Housing Equity contributions for tax purposes. These funds and any investment earnings can be withdrawn at any time, will not be subject to SECA taxes, and may not be subject to income taxes and early-withdrawal penalties when used to provide a home.

- b) Housing Allowance: Some congregations provide their pastor with a housing allowance in place of a parsonage. This figure should reflect the realistic fair rental value of a home in the community, and would normally include such costs as insurance, utilities, taxes, maintenance, improvements, and furnishings. This figure needs to be reviewed and adjusted annually.

A housing allowance designation provides a special tax benefit for the pastor. According to IRS Publication 517, the pastor may exclude from gross income the smallest of:

- Eligible expenses used to provide a home
- The amount officially designated as a housing allowance, or
- The fair rental value of the home, including furnishings and utilities

- c) Housing Resolution: To assist you and your congregation in this process, the following is offered as a sample. IRS regulations require that this resolution be adopted by the church council on an annual basis and be recorded in church council minutes.

WHEREAS The Reverend, name is a full-time clergy staff member of name of congregation and city of the Central/Southern Illinois Synod of the Evangelical Lutheran Church in America; and

WHEREAS name of pastor owns his/her own home; and

WHEREAS in compliance with Section 107 of the Internal Revenue Code (Revised ruling 71-280), such persons are eligible to have a portion of their compensation designated as rental or housing allowance, now, there be it

RESOLVED that name of pastor shall have a portion of his/her compensation for the calendar year year designated as housing or rental allowance in the amount of \$ amount and be it further

RESOLVED that the Congregation Council of name of congregation and city of the Central/Southern Illinois Synod of the Evangelical Lutheran Church in America take the foregoing action solely to fulfill an IRS requirement and assumes no responsibility for the accuracy of figures submitted by clergy staff members.

(Signed by the Congregation Council President)

(Signed by the Pastor)

4. The ELCA Pension and Other Benefits Program

The ELCA Pension and Other Benefits Program helps plan members live well for life, by offering a benefit program that includes health saving accounts (HAS), flexible spending accounts (FSA), retirement, disability, life insurance, and other benefits. By helping each other live well, we strengthen our ministries and our communities, and are better equipped to carry out God's work. For more than 25 years, Portico Benefit

Services has used foundational principles guided by the ELCA Philosophy of Benefits to design a bundled benefit program that aligns with ELCA values and affirms the importance of benefits for the health and wellness of this church.

As outlined by the ELCA Philosophy of Benefits, health benefits should include coverage for the plan member and immediate family members of rostered leaders and lay employees. Although employers are expected to pay the majority of benefit costs through plan contributions, plan members are expected to participate in the benefit costs through plan design and features.

Benefit Program Overview

a. ELCA Health Benefits Plan — Health benefits including medical and mental health, dental, prescription drugs, support services, and wellness programs. Sponsoring organizations can choose between four ELCA-Primary health benefit options:

Platinum+: Lowest deductible and out-of-pocket limit

Gold+: Low deductible and out-of-pocket limit

Silver+: High deductible and low out-of-pocket limit paired with HSA

Bronze+: Highest deductible and out-of-pocket limit paired with HSA

The ELCA Church Council recommends Gold+ to preserve a cost structure that works well for plan members and supports the call process nationally.

If an organization selects Platinum+ or Gold+, or if plan members choose to buy up to one of those options, they can make pretax contributions to a health FSA, which they can use to pay for eligible health care expenses. If an organization selects Silver+ or Bronze+ they'll also select one of three HSA contribution amounts to offset members' higher deductible and out-of-pocket costs:

Level A: \$1,200 single/\$2,400 family

Level B: \$600 single/\$1,200 family

Level C: \$0 single/\$0 family (no contribution)

Note: By not contributing to plan members' HSAs, employers put more of the health care cost burden on them.

Sponsored members may waive health benefits for themselves or their eligible spouse or eligible same-gender partner as long as they can prove they have other valid health coverage, as defined by Portico. If a sponsored plan member waives health benefits for themselves, they must also waive health benefits for their spouse or eligible same-gender partner and children.

Plan members or family members who are eligible for Medicare will have ELCA Medicare-Primary health benefits to supplement Medicare benefits.

b. ELCA Flexible Benefits Plan — Health flexible spending accounts (FSA), dependent (day) care accounts FSA, health savings accounts (HSA), limited-purpose flexible spending accounts (FSA), and personal wellness accounts, which can be used to pay for eligible expenses Both sponsoring employers and plan members can make contributions to an HSA. Members who have waived ELCA health benefits can participate in an FSA.

c. ELCA Retirement Plan — Sponsoring employers and eligible plan members contribute to save money for plan members' retirement

- i. Employer retirement contributions: minimum of 10% for clergy and rostered lay in congregations; some members, based on age, may have a minimum of 11% or 12%
- ii. Employer housing equity: contributions are not to replace salary but can be used to voluntary increase retirement contributions or to build equity for a pastor who lives in a parsonage
- iii. Employee pretax retirement contributions: plan members can contribute up to IRS contribution limits

d. ELCA Disability Benefits Plan — Provides eligible disabled plan members a monthly income, health benefits, life insurance, and retirement account contributions after a two-month waiting period. Eligibility for benefits is determined by Portico's benefits administrator.

e. ELCA Survivor Benefits Plan — Life insurance to help plan members' beneficiaries with financial obligations in the event of a death.

- i. Employer-paid basic group life insurance for sponsored plan members

- ii. The opportunity for eligible plan members to purchase supplemental life insurance for themselves, and dependent life insurance for eligible spouses, eligible same-gender partners, and children

Annual Open Enrollment

Each fall, each sponsoring employer must make a selection with Portico for the ELCA-Primary health benefit option they will offer their sponsored plan members for the following year. Even if they'll be providing the same ELCA health benefit option as the current year, they still must confirm that option.

More Information

It is expected that congregations will sponsor pastors and their families in the ELCA Pension and Other Benefits Program. Congregations are permitted to make additional contributions to the ELCA Retirement Plan of the ELCA Pension and Other Benefits Program. These contributions are tax deferred. The Professional Leadership Committee encourages our congregations to fund Retirement Plan contributions at 12%.

Sponsored Couples

If both members of a couple are sponsored in the ELCA Pension and Other Benefits Program, they are a sponsored couple. Most sponsored couples choose to enroll in health benefits as a couple, because it typically reduces health benefit costs for both the family and sponsoring employers. As a couple, they are able to manage health benefits as a family but manage other benefits — like tax-advantaged accounts and retirement accounts — individually.

Each sponsoring employer's health contribution is calculated separately as if each person was the only sponsored member of the family, based on defined compensation, age, geographic location, and health coverage level. The cost is then divided in half to determine each employer's contribution. If the plan member chooses to buy up to a higher-value health benefit option, their buy-up cost is calculated separately for each as if they were the only sponsored plan member of the family, and takes into account their defined compensation, age, geographic location, and health coverage level. The buy-up cost is divided in half to determine the amount of payroll withholding from the employee's paychecks. The same calculation is used to determine payroll withholding for the other spouse or eligible same-gender partner. Each employer pays the full cost of retirement, disability, and survivor benefit contributions for the plan member it sponsors.

5. Professional Expenses Reimbursement

- a. **Automobile Reimbursement:** It is usual for a congregation to set an actual cost-per-mile reimbursement, using the IRS mileage figure. (e.g. \$0.575 per mile for 2020 or current IRS rate.) Some congregations may lease or own a car, which the church worker uses for congregational business. Still other congregations set a fixed annual rate for an "automobile allowance."

For tax purposes this report recommends that congregations use the reimbursement method. Allowances are taxable income; straight reimbursements of costs are not. Professional expenses which are not reimbursed are normally deductible on Schedule A where they are subject to the 2% rule, i.e. only the amount that exceeds 2% of one's adjusted gross income (1040, line 31) is deductible.

- b. **Books and Other Published Resources:** It is appropriate for the congregation to reimburse the church worker for books, magazines, professional journals, and other published materials.
- c. **Malpractice-Liability Insurance:** Congregations are encouraged to provide this coverage for all church workers.
- d. **Other Professional Expenses:** Congregations should reimburse the pastor and all church workers for expenses incurred in the performance of their duties. Some examples would include the fees charged for the Professional Leadership Conference, parking costs, dues for professional associations, telephone, synod assembly, etc.

6. Continuing Education.

The congregation should negotiate allotted time for a pastor to continue his/her education. The ELCA Congregational and Synodical Mission Unit recommends twenty-five classroom hours per year. This report recommends that pastors and congregation councils work out a mutually agreed upon plan of study and file a covenant with the bishop's office. It is expected that the congregation, the church worker, and the church all share in the cost of continuing education.

We recommend congregation councils give serious consideration to Sabbatical or Clergy Renewal Leave as part of the compensation package. A sabbatical leave is a time for release from normal duties in order that the pastor may devote time to renewal. It is an integral and important part of an overall strategy for enhancing the mission of the congregation through pastor renewal, enrichment, study, spiritual growth, travel, personal and family time, skill development, and/or research. Sabbatical leaves can be of any duration decided upon by the congregation. For those congregations interested in providing sabbatical or clergy renewal time a resource document is available on line or from the synod office. It is entitled: "Resource Guide for Sabbatical or Clergy Renewal for The Central/Southern Illinois Synod of the ELCA." The synod website: www.csis-elca.org

7. Leave Time

1. Continuing Education: Two weeks per year, which may be accumulated up to six weeks over a three year period.
2. Regular vacation: Minimum of four weeks with Sundays per year.
 - Additional Sundays may be granted.
3. Sick leave: Full salary until ELCA Disability Benefits Plan takes effect; eligibility rules apply. See Letter of Call or Appointment for specific details.
4. Parental leave: Maternal--6 weeks with full salary.
Paternal--2 weeks with full salary.
Parents who are adopting children should be granted the same amount of leave time. Parental leave may also be granted at other times, e.g. during times of severe illness, trauma, or death.
5. Personal leave: As mutually agreed upon.

Congregations are encouraged to establish a policy of emergency leave, before an emergency arises.

PROFESSIONAL EXPENSES

1. Automobile Expenses:
 - a. Fixed monthly amount or a cost-per-mile reimbursement.
 - b. Congregation owns or leases a car.
2. Continuing Education: Recommendation is \$1,000, minimum recommendation is \$700 per year. Continuing education time of two weeks per year, which may be accumulated up to six weeks over a three-year period, is recommended.
3. Professional Books and Journals: \$200 per year.
4. Insurance, et al.: includes malpractice and worker comprehensive coverages.

IV. WORKSHEET OF COMPENSATION AND BENEFITS

Pastorally vacant congregations who are calling a pastor are asked to use the
 “Worksheet of Compensation and Benefits for a Newly Called Pastor”

	Current Year		Next Year
<u>Compensation</u>			
1 Basic Salary	\$ _____		\$ _____
2 Social Security & Medicare Tax Allowance	_____		_____
3 Housing	_____		_____
a. If Parsonage is Provided:			
Utilities Paid by Congregation	_____		_____
Furnishings and Utilities Allowance	_____		_____
Housing Equity Allowance	_____		_____
b. If Parsonage is Not Provided:			
Housing Allowance	_____		_____
 Total of Salary, Housing & Social Security & Medicare Tax Allowance	 \$ _____		 \$ _____

ELCA Pension and Other Benefits Program

1 ELCA Health Plan Premium	\$ _____		\$ _____
Health Plan Provided: ___ Platinum+ ___ Gold+ ___ Silver+ ___ Bronze+			
2 Employer Health Savings Account Contributions (if Silver+ or Bronze+)	_____		_____
3 ELCA Retirement Contributions at _____%	_____		_____
4 ELCA Disability Benefits Contributions	_____		_____
5 ELCA Survivor Benefits Contributions	_____		_____
6 ELCA Retiree Support Contributions	_____		_____
 Total Pension & Benefits	 \$ _____		 \$ _____

Expenses

1 Automobile			
a. Reimbursement (cents/mile IRS rate or fixed amount)	\$ _____		\$ _____
b. Congregation lease/own car	_____		_____
2 Continuing education	_____		_____
3 Books, journals, etc.	_____		_____
4 Malpractice-Liability Insurance	_____		_____
5 Other _____	_____		_____
 Total	 \$ _____		 \$ _____

Leave Time

1 Continuing Education (weeks)	_____		_____
2 Regular vacation (weeks, including Sundays)	_____		_____
3 Sick leave (days)	_____		_____
4 Parental leave (weeks)	_____		_____
5 Personal leave (days)	_____		_____

V. TABLES FOR COMPENSATION AND BENEFITS

5. THE YEAR 2021 COMPENSATION FOR ROSTERED LEADERSHIP

Base salary is determined by years of service in the ministry. Please give serious consideration to any other experience. Then view the present base salary and make appropriate adjustments with prayerful Christian deliberation.

Ministry Word and Sacrament				Ministry of Word and Service			
Years of Service				Years of Service			
0	\$ 36,377	-	\$ 37,468	0	\$ 35,091	-	\$ 34,144
1	\$ 37,127	-	\$ 38,218	1	\$ 35,771	-	\$ 36,824
2	\$ 37,877	-	\$ 38,968	2	\$ 36,451	-	\$ 37,504
3	\$ 38,627	-	\$ 39,718	3	\$ 37,131	-	\$ 38,184
4	\$ 39,377	-	\$ 40,468	4	\$ 37,811	-	\$ 38,864
5	\$ 40,127	-	\$ 41,218	5	\$ 38,491	-	\$ 39,544
6	\$ 40,877	-	\$ 41,968	6	\$ 39,171	-	\$ 40,224
7	\$ 41,627	-	\$ 42,718	7	\$ 39,851	-	\$ 40,904
8	\$ 42,344	-	\$ 43,468	8	\$ 40,531	-	\$ 41,584
9	\$ 43,127	-	\$ 44,218	9	\$ 41,211	-	\$ 42,264
10	\$ 43,877	-	\$ 44,968	10	\$ 41,891	-	\$ 42,944
11	\$ 44,627	-	\$ 45,718	11	\$ 42,571	-	\$ 43,624
12	\$ 45,377	-	\$ 46,468	12	\$ 43,251	-	\$ 44,304
13	\$ 46,127	-	\$ 47,219	13	\$ 43,931	-	\$ 44,984
14	\$ 46,877	-	\$ 47,968	14	\$ 44,611	-	\$ 45,664
15	\$ 47,627	-	\$ 48,718	15	\$ 45,291	-	\$ 46,344
16	\$ 48,377	-	\$ 49,468	16	\$ 45,971	-	\$ 47,024
17	\$ 49,127	-	\$ 50,218	17	\$ 46,651	-	\$ 47,704
18	\$ 49,877		\$ 50,968	18	\$ 47,331		\$ 48,384
19	\$ 50,627	-	\$ 51,718	19	\$ 48,011	-	\$ 49,064
20	\$ 51,377	-	\$ 52,468	20	\$ 48,691	-	\$ 49,744
21	\$ 52,127	-	\$ 53,218	21	\$ 49,371	-	\$ 50,424
22	\$ 52,877	-	\$ 53,968	22	\$ 50,051	-	\$ 51,104
23	\$ 53,627	-	\$ 54,718	23	\$ 50,731	-	\$ 51,784
24	\$ 54,377	-	\$ 55,468	24	\$ 51,411	-	\$ 52,464
25	\$ 55,127	-	\$ 56,218	25	\$ 52,091	-	\$ 53,144
26	\$ 55,877	-	\$ 56,968	26	\$ 52,771	-	\$ 53,824
27	\$ 56,627	-	\$ 57,718	27	\$ 53,451	-	\$ 54,504
28	\$ 57,377	-	\$ 58,468	28	\$ 53,131	-	\$ 55,184
29	\$ 58,127	-	\$ 59,218	29	\$ 54,811	-	\$ 55,864
30	\$ 58,877	-	\$ 59,968	30	\$ 55,491	-	\$ 56,544
31	\$ 59,627	-	\$ 60,718	31	\$ 55,171	-	\$ 57,224
32	\$ 60,377	-	\$ 61,468	32	\$ 56,851	-	\$ 57,904
33	\$ 61,127	-	\$ 62,218	33	\$ 57,531	-	\$ 58,584
34	\$ 61,877	-	\$ 62,968	34	\$ 57,211	-	\$ 59,264
35	\$ 62,627	-	\$ 63,718	35	\$ 58,891	-	\$ 59,944