

LEADERSHIP SUPPORT GUIDELINES + 2009

FOR
ELCA Clergy

(Guidelines for Associates in Ministry, Deaconesses, and
Diaconal Ministers are provided separately.)

FOR USE WITHIN
THE VIRGINIA SYNOD
OF THE ELCA

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TO: Lay Presidents/Vice Presidents of Congregations and Clergy
FROM: Leadership Support Committee, Virginia Synod
DATE: June, 2008
SUBJECT: 2009 Recommended Minimum Compensation and Reimbursement Guidelines

We are pleased to share with you the 2009 recommended minimum compensation guidelines for Virginia Synod clergy. Separate guidelines are available for Associates in Ministry, Deaconesses, and Diaconal Ministers. These figures have been approved by both the Synod Council and the 2008 Synod Assembly.

Step increases in the compensation tables, based on years of experience for rostered leaders are unchanged at 1.75% per year. An inflation factor of 2% is applied. The combined recommended increase for 2009 is 3.75% of 2008 cash compensation (base salary, housing, and any Self-Employment Tax compensation).

In addition to the information that we have provided, you will need information from the Board of Pensions regarding pension, health, and disability contributions for the coming year. That information, along with guidelines for pension contributions, will be sent directly to each parish. The Board of Pensions website is www.elcabop.org.

We encourage the formation of a Mutual Ministry Committee in every congregation. A power point presentation about Mutual Ministry Committees is available from our website www.vasynod.org. Click on Resources, then Committees, then Leadership Support. We also recommend *Pastor and People—Making Mutual Ministry Work*, in the Congregational Leader Series from Augsburg Fortress www.augsburgfortress.org.

If you need any assistance from our committee, please contact:

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May God continue to bless your ministry and may you be able to see God's hand moving and guiding you in this process of compensation so that the partnership in your parish helps usher in the kingdom and brings glory to God.

Peace,

The Leadership Support Committee

2009 LEADERSHIP SUPPORT GUIDELINES

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It is a special opportunity and responsibility of the Christian community for members of the congregation to work together prayerfully with their pastor to provide a fair compensation. Both congregations and pastor benefit when this process is characterized by openness, honesty and mutual care. The guidelines that follow are presented as an aid to your conversation.

The guidelines reflect the reality of the distinct demands and stresses that impact those who work full-time in the church. Our pastors are “on call” so that there are frequent interruptions. Moreover, all ELCA pastors have received at least four years of graduate education. Similar years of preparation in any other profession would be remunerated with a considerably higher standard of living. Nonetheless, our pastors are highly motivated by a strong calling to serve the Gospel of Jesus Christ and the needs of people with love and faithfulness. In order to fulfill their calling, it is essential that they receive sufficient financial resources to care for themselves and their families.

The modern context for ministry presents the church with a variety of challenges and opportunities that require creative and informed responses if congregations are going to serve and grow effectively. It is with this in mind that the guidelines stress the importance of continuing education for pastors. Furthermore, the demands upon a pastor’s time and energy require adequate vacation time, sick leave, maternity/parent leave, and sabbaticals.

FREQUENTLY ASKED QUESTIONS

Q. Who determines compensation?

A. The responsibility for determining compensation rests with the Congregation Council. Yet it is difficult for the entire Congregational Council to undertake such a task. The annual appointment of a temporary **Compensation Committee** is recommended, with membership to include:

1. the Council President or Vice-President
2. two members of the congregation agreed upon by BOTH the pastor and the Council
3. the Chairperson of the Mutual Ministry Committee
4. the pastor.

Q. Should the pastor be on the Compensation Committee?

A. Making your pastor part of the group that deals with compensation will provide for a more satisfactory outcome. While there may be a portion of the discussion in which it may not be appropriate for pastor to be present, there are also matters for which this help will be needed.

Q. Where does evaluation enter into our deliberations?

A. In formulating a recommendation to the Congregation Council, the **Compensation Committee** should consult with the congregation’s **Mutual Ministry Committee**. Regular evaluation of the relationship of the pastor and parish helps to maintain a supportive, vital, growing partnership for both. This kind of mutually supportive relationship between the congregation and the pastor will positively affect your quality of the ministry.

Q. What about the recommended Minimum Cash Compensation Levels for Pastors?

A. The Leadership Support Committee recommends a minimum "Cash Compensation" instead of a minimum "Salary" for pastors in an effort to overcome the wide disparities in the synod in total compensation, especially when it comes to housing allowances and the rate at which the Social Security Tax is compensated.

In order to be more equitable in the Virginia Synod, the Leadership Support Committee advocates the current synod guidelines as *minimum* cash compensation. We are aware that these recommendations may seem beyond the means of some of our parishes. It is particularly in these locations that we strongly encourage movement toward these levels of compensation. In addition to fair compensation for your current pastor, we want your parish the next time it calls a pastor to be able to call the person you need and not to be guided simply by the monetary bottom line.

Q. How do we determine Base Salary, Housing, and Social Security components from the Minimum Cash Compensation guidelines for pastors?

A. The Cash Compensation figure should be seen as a "pie" which may be divided in whatever way seems fair and beneficial to the pastor. For example, pastors with a Housing Allowance will want to maximize this amount for tax purposes up to the limits that are set by the Internal Revenue Service. Regarding Social Security and Medicare contributions, the federal government considers pastors to be self-employed persons who must pay their own self-employment tax (SECA) at a rate of 15.3% (Social Security 12.4% and Medicare 2.9%).

Most congregations and agencies provide an allowance to cover the additional amount that the pastor pays under this self-employed designation. Recognizing that a number of congregations pay 100% Social Security, congregations are encouraged to move toward that goal with 75% being the congregation's minimum contribution.

(Reminder: any Social Security Allowance is included as income when figuring income tax.)

To derive the various components from the Minimum Cash Compensation figures in Appendix A, perform the following operations:

PASTOR WITH HOUSING ALLOWANCE

- 1) Minimum Cash Compensation (Appendix A) _____
- 2) Multiply X .8971 (for SECA) _____
- 3) Subtract to obtain the self-employment tax allowance (SECA) which is figured here at 75% (.11475) of base salary plus housing. _____
- 4) Multiply line 2 X .7692 for Base Salary _____
- 5) Subtract line 4 from line 2 for Housing _____

12 years experience (Appendix A)	\$ 56,064
2) x .8971	\$ 50,295
3) Subtract to get the SECA	\$ 5,769
4) Multiply line 2 x .7692 for Base Salary	\$ 38,686
5) Subtract line 4 from line 2 for Housing	\$ 11,609

Remember that these figures should be shaped to your situation so that the housing component, the base salary or the self-employment tax allowance may be larger or smaller than the figures we have used.

PASTOR WITH PARSONAGE PROVIDED

Begin with the **same Minimum Cash Compensation figure as a Pastor with Housing Allowance (Appendix A)** and follow the steps outlined above. The differences will be that line 5 will be the fair rental value of the parsonage and the cash compensation will be the sum of lines 3 and 4.

Q. What Salary Adjustment Factors need to be considered?

A. Appropriate adjustment factors include congregational size and complexity, the cost of living in the area, as well as the pastor’s experience, gifts for ministry, and continuing education. Additionally, previous work experience in the case of second career pastors should be considered.

Q. Is the pastor self-employed or an employee of the congregation?

A. The IRS and the Courts have held that ministers are common-law employees for income tax purposes even though clergy are considered self-employed for social security purposes. Pastors should be given W-2 forms (not 1099's) by the church for income tax purposes. For more information on the congregation’s Federal and Virginia income tax reporting of your pastor’s compensation, please contact Keith Brown at the Synod office.

Q. How are the pastor’s income and self-employment taxes figured?

A. The pastor’s **income tax** is figured on the base salary plus the cash allowance for the self-employment tax. The pastor’s **self-employment tax** (15.3% SECA) is figured on the base salary, plus the housing allowance or the fair rental value of the parsonage, plus the cash allowance for the self-employment tax.

Q. Why should congregations establish “accountable reimbursement plans”?

A. Since the pastor is considered an employee for income tax purposes, any “allowances” are considered as income and will be subject to income tax. Business expenses, mileage, books are

considered business expenses and deductible as miscellaneous itemized deductions, deductible only to the extent that they exceed 2% of adjusted gross income. An **accountable reimbursement plan** as described on the Expense Worksheet and in Appendices H & I not only avoids this problem, but gives the pastor 100% reimbursement for professional expenses.

Q. What about Maternity/Parenting Leave?

A. A specific **Maternity and Parenting Leave Plan** should be carefully drawn up in open consultation with your pastor. Maternity leave is directed towards the birth or adoption of a child. Such leave should include up to six weeks full salary, housing, and benefits. The number of weeks of leave before or after the birth or adoption of a child should be negotiated and specified in advance. Up to two weeks leave for the father is also desirable.

Parenting leave is directed towards illness or other special needs. Such leave should include up to two weeks full salary and benefits. Any other specific conditions should be clearly defined in writing.

Q. Whom do we contact if we need further information?

A. Pensions Information at Board of Pension web site: www.elcabop.org (Site includes a new Pension Calculation program, updated annually.) Board of Pensions telephone: 800.352.2876

B. A much more comprehensive resource is Church and Clergy Tax Guide – 2008 Edition by Richard R. Hammar, J. D., LL.M., CPA, \$29.95. (revised annually) www.churchlawtoday.com

C. Cost of living variances for your county are available at the Bureau of Labor Statistics website: www.bls.gov

A. MINIMUM CASH COMPENSATION \$ _____ (A)
 Includes Housing and Social Security allowances
 (See Appendix A)
 Reminder: A specific sum must be designated
 as housing allowance annually by the
 Council (See line C instructions)

B. COMPENSATION ADJUSTMENTS

Merit Increase \$
 Skills Increase \$
 Housing Adjustment \$
 Other Adjustments \$

Total Adjustments \$ _____ (B)

C. TOTAL CASH COMPENSATION \$ _____
 A portion of total cash compensation (A) + (B)
 is to be allocated to Housing Allowance
 (See Instructions for Line C and Appendix K)

BENEFITS

D. PENSION \$ _____
 (see www.elcabop.org for details)
 E. HEALTH CARE \$ _____
 (see www.elcabop.org)
 F. VACATION _____ Days/Weeks
 G. SICK LEAVE _____ Days/Weeks
 H. CONTINUING EDUCATION _____ Days/Weeks

An example is found in Appendix G

EXPENSES \$ _____

See Expense Worksheet on page 10

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INSTRUCTIONS
PASTOR RECEIVING HOUSING ALLOWANCE

Line A - See Appendix A for Chart of Minimum Cash Compensation based on years of

service. The figures on the chart **include** amounts for housing allowance and self-employment tax (social security) allowance. The figures are based on the 2009 compensation figures that include housing and/or self-employment tax allowances. The housing allowance is figured at 30% of the base salary, and the self-employment tax allowance is based on the combined salary and housing allowance and calculated to be 75% of the social security tax.

Line B - Adjustments to Compensation. Appropriate adjustment factors include congregational size and complexity, the cost of living in the area, pastor's previous experience and/or gifts for ministry, and continuing education. Further, work experience of second career pastors should be taken into account.

Line C – Total Cash Compensation. A portion of this Total Cash Compensation should be designated as Housing Allowance. A housing allowance is a tax-exempt (for income tax purposes) allocation of the pastor's cash compensation approximating the fair rental value of a home, plus the furnishings and cost of utilities. This allowance should be sufficient to provide adequate housing as well as care for the related expenses of utilities and upkeep. The amount of this allowance that is excludable from gross income is the LEAST of 1) the amount actually used to provide a home, 2) the amount officially designated as housing allowance, or 3) the fair rental value of the home, including furnishings and utilities. To meet IRS requirements, the annual amount of housing allowance must be officially designated **prior to the time period for which it applies.** (See Appendix K)

Line D – Pensions. Regarding pensions, we recommend 12% of "Defined Compensation" as calculated on the Board of Pensions worksheet. If the congregation is currently contributing at a lower rate, we strongly encourage a movement to 12% as soon as possible at a rate of at least 0.5% each year until the full 12% level is achieved. (The required rate of pension is determined by the ELCA) **Please be sure to read all materials sent from the Board of Pensions to determine the correct amount to include on this line.** (See Appendix L) Visit www.elcabop.org for the 2009 Pensions Calculator.

Line E - Health Care. For health care, the total percentage of "defined compensation" will vary according to the needed coverage. The actual figures for 2009 will be mailed by the Board of Pensions. **Please use the Board of Pension materials to determine the correct amount to include on this line.** Also visit www.elcabop.org.

Line F – Vacation. We recommend four weeks of vacation which includes four Sundays to give your pastor ample time away to maintain personal and family health.

Line G - Sick Leave. Sick leave of up to two months with full salary, housing, and benefits should be provided for the rostered person. (The ELCA Board of Pensions Disability Plan provides for 2/3 of defined compensation to be paid beginning in the third month. Each application for disability must be approved by the Board of Pensions.)

Line H – Continuing Education. ELCA guidelines suggest two weeks (including two Sundays) of continuing education for those in full-time calls.

A. MINIMUM CASH COMPENSATION \$_____ (A)
Includes Social Security allowance
(See Appendix A)

B. COMPENSATION ADJUSTMENTS

Merit Increase \$

Skills Increase \$

Equity Adjustment \$
(If paid directly to the Pastor)

Furnishings and/or Utilities
adjustments \$

Other Adjustments \$

Total Adjustments \$_____ (B)

C. TOTAL CASH COMPENSATION \$_____ (A) + (B)

BENEFITS

D. PENSION \$

E. HEALTH CARE \$

F. VACATION _____ Days/Weeks

G. SICK LEAVE _____ Days/Weeks

H. CONTINUING EDUCATION
_____ Days/Weeks

An example is found in Appendix H

EXPENSES \$_____

See Expense Worksheet on page 10

**INSTRUCTIONS
PASTOR WITH PARSONAGE PROVIDED**

Line A - See Appendix A for Chart of Minimum Cash Compensation based on years of service.

The figures on the chart include amounts for self-employment tax (social security) allowance. The figures are based on the 2009 minimum defined compensation figures that include self-employment tax (social security) allowance. The self-employment SECA tax (social security) allowance is figured using the minimum base salary plus 30% of salary to approximate the fair rental value of the parsonage and calculated to be 75% of social security tax.

Line B - Adjustments to Compensation. Appropriate adjustment factors include congregational size and complexity, the cost of living in the area, pastor's gifts for ministry and experience, and continuing education. For a pastor living in a parsonage, adjustments for furnishings and utilities might be appropriate. A congregation providing a parsonage for its pastor is encouraged to establish an **EQUITY ALLOWANCE** of at least \$1,000 per year. These funds are set aside to help the pastor accumulate equity for the purchase of a home when that is needed or desired. Please see Appendix B for further information about equity allowances. A congregation providing a parsonage for its pastor is strongly encouraged to pay the actual expenses for the maintenance and the utilities for the parsonage (excluding personal long distance calls). However, if the congregation prefers to not pay the utilities, a realistic utility adjustment should be made to the pastor's salary.

Line D – Pensions. Regarding pensions, we strongly recommend 12% of “Defined Compensation.” (The required rate for pension is determined by the ELCA.) Be aware that for a pastor living in a parsonage the “Defined Compensation” figure used by the Board of Pensions in calculating pension and health benefits will be different from the Cash Compensation figure on this worksheet because it will include an amount for the fair rental value of the Parsonage.

Please see the materials from the Board of Pensions to determine how to calculate the benefits amounts. Their website at www.elcabop.org contains a 2009 Pension Calculator for your use. See Appendix L in this workbook for additional information.

Line E - Health Care. For health care, the percentage used will vary according to the needed coverage. The actual figures for 2009 will arrive from the Board of Pensions in August. Be aware that the Board of Pensions calculates the base on which health and pension benefits are based on their own definition of “Defined Compensation.” **Please carefully read the Board of Pensions materials to determine the correct figure to use.** Also visit their website at www.elcabop.org for their 2009 Health Care Costs Calculator.

Line F – Vacation. We recommend four weeks of vacation, including four Sundays, so that the rostered leader has ample time away to maintain personal and family health.

Line G - Sick Leave. Sick leave of up to two months with full salary, housing, and benefits should be provided for the pastor. (The ELCA Board of Pensions Disability Plan provides for 2/3 of defined compensation to be paid beginning in the third month. Each application for disability must be approved by the Board of Pensions.)

Line H – Continuing Education. ELCA guidelines suggest two weeks (including two Sundays) of continuing education for those in full-time calls.

Professional expenses can be reimbursed in a number of ways. The most desirable is a fully **accountable reimbursement plan** under which the pastor submits expenses to the Treasurer and is reimbursed. Under this arrangement the pastor need not include the reimbursement as income nor be concerned that the expenses might not be deductible. See Appendix H and Appendix I for details and examples.

A. AUTOMOBILE	\$
B. CONTINUING EDUCATION	\$
C. BOOKS & PERIODICALS	\$
D. OTHER PROFESSIONAL EXPENSES	\$
E. SYNOD EVENTS	\$

A. Automobile Expenses. If an automobile is not purchased or leased by the church for the pastor's use, reimbursement should be made at the prevailing IRS allowable rate. (The 2008 rate is 50.5 cents/mile.)

B. Continuing Education. To facilitate the updating of skills, and thereby the strengthening of ministry, the congregation should provide at least two weeks each year, including two Sundays, (in addition to vacation time) **and** \$700 annually, both of which may accrue up to three years.

C. Books & Periodicals. We encourage \$300 annually to keep abreast of developments in the many facets of parish ministry.

D. Other Professional Expenses. See Appendix H & I for examples.

E. Synod Events.

1. Attendance at the **Synod Assembly** is required. Therefore, all expenses (travel, lodging, and registration) should be paid. We also encourage the congregation to pay the expenses of the spouse if he/she desires to attend.
2. **First Call Theological Education** is required. Documents outlining this program are available through the Synod Office.
3. We strongly encourage attendance at the **GATHERING OF THE MINISTERIUM**. This gathering is a time away with the bishop and other rostered leaders for worship, spiritual sharing, conversation, and to learn from gifted presenters.
4. For pastors age 45-50, we also recommend participation in the **PRE-RETIREMENT SEMINAR**, held in this synod or a neighboring synod in cooperation with the Board of Pensions. See the Board of Pensions website for dates and locations.
5. **A ROSTERED LEADERS SPOUSE RETREAT** is held each fall. We recommend that your congregation's budget cover the cost for this event.

Appendix A

2009 Pastors Minimum Cash Compensation Guidelines

NOTE: The guidelines offered here are based upon CASH COMPENSATION (CC) which consists of base salary, housing and Self-Employment Tax compensation.

Pastor with Parsonage			
Years of Experience	2008 CC	Inflation Factor	2009 CC
Year 1	36,013	2%	\$36,733
Year 2	36,645	2%	\$37,378
Year 3	37,285	2%	\$38,031
Year 4	37,937	2%	\$38,696
Year 5	38,602	2%	\$39,374
Year 6	39,277	2%	\$40,063
Year 7	39,964	2%	\$40,763
Year 8	40,663	2%	\$41,476
Year 9	41,376	2%	\$42,204
Year 10	42,099	2%	\$42,941
Year 11	42,836	2%	\$43,693
Year 12	43,585	2%	\$44,457
Year 13	44,348	2%	\$45,235
Year 14	45,123	2%	\$46,025
Year 15	45,914	2%	\$46,832
Year 16	46,717	2%	\$47,651
Year 17	47,536	2%	\$48,487
Year 18	48,368	2%	\$49,335
Year 19	49,214	2%	\$50,198
Year 20	50,074	2%	\$51,075
Year 21	50,950	2%	\$51,969
Year 22	51,843	2%	\$52,880
Year 23	52,750	2%	\$53,805
Year 24	53,673	2%	\$54,746
Year 25	54,613	2%	\$55,705
Year 26	55,568	2%	\$56,679
Year 27	56,542	2%	\$57,673
Year 28	57,530	2%	\$58,681
Year 29	58,537	2%	\$59,708
Year 30	59,562	2%	\$60,753
Year 31	60,603	2%	\$61,815
Year 32	61,663	2%	\$62,896
Year 33	62,742	2%	\$63,997
Year 34	63,841	2%	\$65,118
Year 35	64,958	2%	\$66,257
Year 36	66,096	2%	\$67,418
Year 37	67,251	2%	\$68,596
Year 38	68,429	2%	\$69,798
Year 39	69,627	2%	\$71,020
Year 40	71,687	2%	\$73,121

Pastors with Housing Allowance			
Years of Experience	2008 CC	Inflation Factor	2009 CC
Year 1	45,417	2%	\$46,325
Year 2	46,210	2%	\$47,134
Year 3	47,020	2%	\$47,960
Year 4	47,842	2%	\$48,799
Year 5	48,678	2%	\$49,652
Year 6	49,530	2%	\$50,521
Year 7	50,398	2%	\$51,406
Year 8	51,279	2%	\$52,305
Year 9	52,177	2%	\$53,221
Year 10	53,091	2%	\$54,153
Year 11	54,020	2%	\$55,100
Year 12	54,965	2%	\$56,064
Year 13	55,927	2%	\$57,046
Year 14	56,905	2%	\$58,043
Year 15	57,900	2%	\$59,058
Year 16	58,914	2%	\$60,092
Year 17	59,946	2%	\$61,145
Year 18	60,994	2%	\$62,214
Year 19	62,062	2%	\$63,303
Year 20	63,148	2%	\$64,411
Year 21	64,254	2%	\$65,539
Year 22	65,377	2%	\$66,685
Year 23	66,522	2%	\$67,852
Year 24	67,686	2%	\$69,040
Year 25	68,870	2%	\$70,247
Year 26	70,075	2%	\$71,477
Year 27	71,302	2%	\$72,728
Year 28	72,549	2%	\$74,000
Year 29	73,818	2%	\$75,294
Year 30	75,112	2%	\$76,614
Year 31	76,426	2%	\$77,955
Year 32	77,763	2%	\$79,318
Year 33	79,123	2%	\$80,705
Year 34	80,508	2%	\$82,118
Year 35	81,917	2%	\$83,555
Year 36	83,352	2%	\$85,019
Year 37	84,809	2%	\$86,505
Year 38	86,293	2%	\$88,019
Year 39	87,805	2%	\$89,561
Year 40	89,340	2%	\$91,127

Appendix B**Equity Allowance**

An equity allowance is strongly encouraged if the pastor lives in a parsonage. This may help to provide housing later in a pastor's ministry, in retirement, at death or disability or when a parsonage is no longer available. The Virginia Synod encourages congregations to establish an equity allowance of at least \$1000 per year. This allowance can be paid directly to the pastor each year, in which case it is included in the defined compensation figures. Alternatively, the congregation can pay into a depository (agreeable to the pastor and the parish). These funds are designated for the provision of housing and remain in the depository until a parsonage is no longer available or until the pastor retires, is disabled, dies or resigns. At this time payment is made to the pastor, his or her beneficiaries, or the funds are transferred to another parish for the pastor. These funds are taxable to the pastor when they are withdrawn for use. Other tax planning strategies such as Rabbi Trusts or Crumney Trusts, should also be explored with your pastor's personal tax advisor.

Appendix C**Pulpit Supply**

We recommend the following compensation for pulpit supply:

One Service	\$ 125.00 - \$150.00
Each Additional Service	\$30.00

Plus the IRS rate for the ROUND TRIP mileage (2008 rate is 50.5 cents/mile.)

Appendix D**Sabbatical/Extended Study Leave**

It is important for pastors as well as congregations and agencies to realize the value of continuing education through workshops, seminary courses, and personal study. ELCA congregations have long been encouraged to provide time and financial assistance to enable pastors to maintain and improve their skills. From time to time, however, pastors may desire an extended period of time for study, personal growth, and reflection without the responsibilities of regular service — thus a sabbatical leave. These guidelines are provided to assist rostered leaders and congregations, synods, and agencies in preparing for sabbatical leaves.

1. Sabbatical leaves are intended for in-depth study of one or two topics directly related to the pastor's call and should include time for personal and familial reflection.
2. The initial development will utilize the annual continuing education arrangements between the pastor and congregation, synod or agency.
3. The bishop will need to be consulted early in the process to assure adequate interim ministry during the sabbatical leave.

4. Sabbatical leaves are normally for a period of three to six months.
5. Those who may present proposals are pastors who have a minimum of seven years in the ministry and who have served in their current call for five or more years. The proposal shall include:
 - a. A rationale for the sabbatical, including personal goals, and potential value for the Church, congregation or agency.
 - b. A detailed outline of the intended course of study and use of time.
 - c. An outline of financial implications for the sabbatical, including pastoral coverage during the absence.
6. Proposals for sabbatical leaves shall be presented to the governing body of the congregation or agency not less than six months prior to the leave.
7. Careful consideration shall be given to all aspects of the proposal and implications for the congregation or agency and the pastor.
8. Congregations or agencies may give sabbatical leaves as merit benefits.
9. Normally the financial considerations for the sabbatical shall be negotiated by the pastor and the congregation/agency. It is suggested, however, that the base salary, housing and Self-employment Tax, pension/health, and vacation be maintained at the current level, with the pastor assuming responsibility for all other personal and family expenses.
10. Sabbatical grants are available from the Lilly Endowment. You may access this information at www.lillyendowment.org/religion.
11. When a sabbatical leave is granted, a pastor shall normally agree to serve that congregation or agency for a minimum of one year following its completion.
12. Within six weeks of the completion of the sabbatical leave, the pastor shall present to the congregation/agency and the bishop a detailed reflection on the experiences of the leave.
13. Congregations and/or rostered leaders who want assistance in developing sabbatical plans should contact the synod staff or the synodical Leadership Support Committee.
14. A video resource *Why You Should Give Your Pastor a Sabbatical* by Roy Oswald is available from the Alban Institute for \$35 (\$26.25 for members). For more information go to www.alban.org.

Appendix E

Counseling for Rostered Leaders and Their Families

The Virginia Synod contracts with VIP Care to provide a limited amount of counseling for pastors and their families. Those interested in using this service are invited to contact VIP Care directly at 1.804.282.8332. VIP Care direct bills the Virginia Synod while maintaining the client's anonymity.

Appendix F

EXAMPLE WORKSHEET PASTOR RECEIVING HOUSING ALLOWANCE

Cash Compensation

A. Minimum Cash Compensation for 2009	\$59,058
Pastor X has 15 years experience as a parish pastor	
B. Merit Increase	0
This is Pastor X's first year in this congregation	
C. Skills Increase	1,500
Pastor X has completed substantial course work to increase skills in marital counseling.	
D. Housing Adjustment	4,800
Pastor X will receive a housing adjustment because the city in which the church is located has high housing costs.	

Total Cash Compensation \$65,358

This is the amount that will be paid to Pastor X for Total Cash Compensation for 2009

Benefits

E. Pension	\$7,516
Congregation Y has been contributing to the pension at a rate of 11.5 % of total Cash Compensation. $\$65,358 \times .11.5 = \$7,516$	
F. Health Care	
Contribution rates for individual rostered leaders and dependents may be determined by using the ELCA Board of Pensions health care calculator at www.elcabop.org .	
G. Vacation	
Pastor X will receive 4 weeks of vacation (4 Sundays)	
H. Sick Leave	
Pastor X will be allowed up to 2 months of sick leave.	
I. Continuing Education	
Pastor X will receive 2 weeks of continuing education (2 Sundays).	

Appendix G

**EXAMPLE WORKSHEET
PASTOR WITH PARSONAGE PROVIDED**

Cash Compensation		
A. Minimum Cash Compensation for 2009	Pastor X has 15 years experience as a parish pastor.	\$46,832
B. Merit Increase	This is Pastor X's first year in this congregation.	0
C. Skills Increase	Pastor X has completed substantial course work to increase her skills in marital counseling.	1,500
D. Equity Allowance	Congregation Y will pay \$1,000 to a depository for Pastor X's equity allowance. This is not taxable now, but will be taxable to her when she receives it.	0
E. Furnishings Adjustment	Church Y will pay a furnishings allowance of \$2400 to Pastor X.	2,400
F. Utilities Adjustment	Congregation Y will pay all the actual expenses for maintenance and all the utilities.	0
Total Cash Compensation		\$50,732
This is the amount that will be paid to Pastor X for Total Cash Compensation for 2009		
Benefits		
G. Pension	Congregation Y has been contributing to the pension at a rate of 11.5%. For a pastor living in a parsonage the pension and health benefits are calculated as follows:	\$7,584
	Total Cash Compensation \$50,732	
	30% x Total Cash Compensation <u>15,219</u>	
	\$65,951	
	\$65,951 x .115 = \$7,584 contribution to pension	
H. Health Care	See Board of Pensions website for health care contribution calculation.	
I. Vacation	Pastor X will receive 4 weeks of vacation, including 4 Sundays.	
J. Sick Leave	Pastor X will be allowed up to two months of sick leave.	
K. Continuing Education	Pastor X will receive 2 weeks (including 2 Sundays) continuing education.	

Reimbursement Policy Example

REIMBURSEMENT POLICY

In accordance with Treasury Regulations 1.162-17 and 1.274-5(e) _____ (name)

Lutheran Church hereby establishes reimbursement accounts and a reimbursement policy for the pastor(s) and staff members with the following terms and conditions:

1. A reimbursement account will be established with each pastor and staff member consisting of an amount designated by the congregation for the reimbursement of ministry expenses and any additional amount which the pastor or staff member wishes to add as a salary reduction.**
2. The church will reimburse only ministry-related expenses incurred by a pastor or staff member. Such expenses will include:
 - Business use of automobile, up to the current IRS standard mileage rate. It is understood that one daily round trip's commuting miles between the pastor's or staff member's home and the church will not be reimbursed.
 - Business travel away from home; transportation, lodging, and meals.
 - Convention and conference registration expenses.
 - Educational expenses, if otherwise qualified as a business expense or itemized deduction.
 - Books, journals, magazines, tapes, computer software, internet access costs, and daytimer supplies if related to ministry or employment.
 - Purchase and maintenance of clerical garments.
 - Children's sermon resources.
 - Entertainment/hospitality expenses, if business/ministry connection is met.
3. The pastor or staff member will account for each allowable expense in writing monthly. Documentation will include the amount, time and place, business/ministry purpose and relationship of each expense. A receipt will accompany the documentation.
4. The pastor or staff member will return advances or reimbursements that exceed actual business/ministry expenses.
5. Under this accountable arrangement, the church will not report amounts reimbursed as taxable income on the pastor's or staff member's Form W-2. Neither will the pastor or staff member report reimbursed amounts as income on Form 1040 for personal income tax purposes.

** Under a salary reduction plan, if the designated amount by which the salary is reduced is not used, that amount must be forfeited. It is strongly suggested that before adopting any plan your legal/tax advisor be consulted to be certain that your plan complies with the most recent regulations.

Reimbursement Authorization Example
REIMBURSEMENT AUTHORIZATION

Date _____

No. _____

_____ **LUTHERAN CHURCH**

Payment Authorization Form

Budget Account No. _____

Requested By: _____ Title _____

Approved By: _____ Title _____

ITEMS	COST
Auto - Mileage (_____ miles)	\$
Parking Fees/Tolls	\$
Books/Publications/Software	\$
Continuing Education Costs	\$
Maintenance of Clergy Garments	\$
Professional Gifts/Cards/Postage	\$
Meals/Entertainment – Church Business	\$
Meals/Entertainment of Out-of-Town Speakers	\$
Children Sermons	\$
Car Phone and Pager	\$
Library Fees/Copying Fees	\$
Hospitality/Social Ministry/Assistance - Needy	\$
TOTAL	\$

Date Bill Paid _____ Check No. _____ Amount _____

Appendix J

Pastor’s Housing Allowance Designation Example

Insert for Minutes of Congregation Council Meeting:

The Congregation Council of _____ Lutheran Church meeting on (date), after considering the Statement of Pastor _____, setting forth the amounts estimated to be designated as Housing Allowance beginning (date), (based upon a home valued at \$_____, with a fair rental value of the home, furnished, plus the cost of all utilities @ \$_____per month) upon motion duly made and seconded, adopted the following resolution:

Resolved, that the Rev. _____ receive payment in the amount of \$_____ designated as Parsonage Housing Allowance effective (date), as follows:

- Housing-Mortgage PIT \$
- Utilities and Fuel
- Maintenance
- Insurance
- Furnishings
- Total 2009 Housing Allowance: \$

and \$_____ shall be designated as Base Salary,
and \$_____ shall be designated as Social Security Allowance.

Notification by Secretary of the Congregation Council:

The Secretary of the Congregation Council should officially inform the Pastor of the action taken and the amounts of the designated allowances, in writing, as follows:

Notification of Parsonage Housing Allowance

Date:

Dear Pastor _____:

This is to advise you that at a meeting of the Congregation Council of _____ Lutheran Church held on (date) your Parsonage Housing Allowance beginning (date) was officially designated and fixed in the amount of \$_____.

Accordingly, \$_____ of the total payments to you beginning (date) will constitute Parsonage Housing Allowance, \$_____ will constitute base salary, and \$_____ will constitute Social Security Allowance, for a total Compensation Package of \$_____.

Under Section 107 of the Internal Revenue Code, an ordained minister of the gospel is allowed to exclude from gross income the Parsonage Housing Allowance paid as part of compensation to the extent used to rent or provide a home (meals and maid service excluded). You should keep accurate records of your expenditures to rent or provide a home in order to substantiate any amounts excluded from gross income in filing your federal income tax return.

Sincerely,
_____, Council Secretary

Appendix K

Defined Compensation for the ELCA Board of Pensions

For 2009 Pension calculations and Medical calculations, visit the Board of Pensions website at www.elcabop.org to access their calculation programs.

Q. What is defined compensation?

A. Defined compensation is the basis that the ELCA's Board of Pensions uses to determine the amount which a congregation or sponsoring organization pays toward pension and health benefits for a pastor.

Defined compensation is calculated as follows:

- (A) cash salary - annual base salary (before reductions for tax sheltered annuities or reimbursement accounts); *plus*
- (B) clergy Social Security tax allowance; *and*
- (C) if housing/parsonage is provided, 30 percent of (A) + (B), plus furnishings and utility allowances paid directly to the member, *or* if housing is not provided, the actual cash housing allowance paid to the member.

Defined compensation also includes

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

Defined compensation *does not* include

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

SEE Board of Pensions materials for worksheets which are usually received by congregations in August, or visit their website at www.elcabop.org for the latest information.