

LEADERSHIP SUPPORT GUIDELINES + 2015

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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IN PARTNERSHIP WITH THE NEW GUINEA ISLANDS DISTRICT, ELC-PNG

TO: Lay Presidents/Vice Presidents of Congregations and Clergy
FROM: Synod Council, Virginia Synod
DATE: June 2014
SUBJECT: 2015 Recommended Minimum Compensation and Reimbursement Guidelines

We are pleased to share with you the 2015 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 2014 Synod Assembly. The complete Leadership Support Guidelines for Pastors and Lay Rostered Leaders are available on line at www.vasynod.org.

The 2015 beginning salary recommendation has been increased by 1.5% over the 2014 guideline. Step increases in the cash compensation tables (base salary, housing, and Self-Employment Tax compensation), based on years of experience for rostered leaders, continue to be set at **1.75%** per year. All figures include the full Self-Employment Tax amount of 15.3%

The Expense Worksheet combines last year's allowances for Continuing Education, attendance at the Gathering of the Ministerium, and Books & Periodicals in Item J. under Professional Expenses at a total of \$1,000.

In addition to the information that we have provided, you will need information from Portico Benefits 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 Portico website is www.porticobenefits.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 For Leadership, then under Information for Mutual Ministry Presentation. 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 Synod Council, 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 Synod Council

2015 LEADERSHIP SUPPORT GUIDELINES

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COMPENSATION PLANNING

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 Synod Council 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 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 by .8673
- 3) Subtract to obtain the self-employment tax allowance which is figured here at 15.3%
- 4) Multiply line 2 by .7407 for Base Salary
- 5) Subtract line 4 from line 2 for Housing

Example:

1) Minimum Cash Compensation for a Pastor just out of Seminary (Appendix A)	\$ 48,750
2) Multiply by .8673	\$ 42,280
3) Subtract to get the self-employment tax	\$ 6,470
4) Multiply line 2 by .7407 for Base Salary	\$ 31,317
5) Subtract line 4 from line 2 for Housing	\$ 10,963

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** 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 is available at Portico web site: www.porticobenefits.org (Site includes a Pension Calculation program, updated annually). Portico’s telephone is: 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.

**COMPENSATION WORKSHEET
PASTOR RECEIVING HOUSING ALLOWANCE**

CASH COMPENSATION

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

BENEFITS

- D. PENSION \$
(see www.porticobenefits.org for details)
- E. HEALTH CARE \$
(see www.porticobenefits.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 9

\$

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 2015 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 100% 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 Portico 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. **Please be sure to read all materials sent from Portico to determine the correct amount to include on this line.** (See Appendix L) Visit www.porticobenefits.org for the 2015 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 2015 will be mailed by Portico. **Please use the Portico 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 Portico 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 Portico.
- Line H – Continuing Education.** ELCA guidelines suggest two weeks (including two Sundays) of continuing education for those in full-time calls.

**COMPENSATION WORKSHEET
PASTOR - PARSONAGE PROVIDED**

CASH COMPENSATION

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 9

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 2015 minimum defined compensation figures that include self-employment tax (social security) allowance. The self-employment 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 100% 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 Portico 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 Portico to determine how to calculate the benefits amounts.** Their website at www.porticobenefits.org contains a 2015 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 2015 will arrive from Portico [Board of Pensions] in August. Be aware that the Portico [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 Portico materials to determine the correct figure to use.** Also visit their website at www.porticobenefits.org for their 2015 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 Portico 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 Portico.)

Line H – Continuing Education. ELCA guidelines suggest two weeks (including two Sundays)

of continuing education for those in full-time calls.

EXPENSE WORKSHEET

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.
- 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.

APPENDICES
2015 Pastors Compensation Guidelines

NOTE: The guidelines offered here are based upon CASH COMPENSATION (CC) which consists of base salary, housing and Self-Employment Tax (SET) compensation. The 2015 figures have been adjusted to include the full SET amount of 15.3%.

Pastors with Parsonage			Pastors with Housing Allowance		
Years of Experience	2014 CC	2015 CC	Years of Experience	2014 CC	2015 CC
Year 1	40,428	41,034	Year 1	50,983	51,748
Year 2	41,237	41,752	Year 2	52,001	52,651
Year 3	41,958	42,483	Year 3	52,914	53,572
Year 4	42,691	43,226	Year 4	53,840	54,509
Year 5	43,441	43,983	Year 5	54,780	55,463
Year 6	44,201	44,752	Year 6	55,739	56,434
Year 7	44,974	45,536	Year 7	56,715	57,422
Year 8	45,760	46,332	Year 8	57,706	58,426
Year 9	46,563	47,143	Year 9	58,717	59,449
Year 10	47,376	47,968	Year 10	59,746	60,489
Year 11	48,205	48,808	Year 11	60,792	61,548
Year 12	49,049	49,662	Year 12	61,854	62,625
Year 13	49,907	50,531	Year 13	62,936	63,721
Year 14	50,777	51,415	Year 14	64,037	64,836
Year 15	52,687	52,315	Year 15	65,158	65,971
Year 16	52,573	53,230	Year 16	66,298	67,125
Year 17	53,494	54,162	Year 17	67,460	68,300
Year 18	54,430	55,110	Year 18	68,640	69,495
Year 19	55,383	56,074	Year 19	69,841	70,711
Year 20	56,350	57,056	Year 20	71,064	71,949
Year 21	57,336	58,054	Year 21	72,309	73,208
Year 22	58,342	59,070	Year 22	73,572	74,489
Year 23	59,362	60,104	Year 23	74,858	75,792
Year 24	60,400	61,155	Year 24	76,171	77,119
Year 25	61,458	62,226	Year 25	77,502	78,468
Year 26	62,532	63,315	Year 26	78,859	79,842
Year 27	63,629	64,423	Year 27	80,239	81,239
Year 28	64,743	65,550	Year 28	81,643	82,660
Year 29	65,874	66,697	Year 29	83,069	84,107
Year 30	67,027	67,864	Year 30	84,527	85,579
Year 31	68,200	69,052	Year 31	86,006	87,076
Year 32	69,392	70,260	Year 32	87,511	88,600
Year 33	70,606	71,490	Year 33	89,039	90,151
Year 34	71,843	72,741	Year 34	90,599	91,728

Year 35	73,099	74,014		Year 35	92,183	93,334
Year 36	74,382	75,309		Year 36	93,800	94,967
Year 37	75,680	76,627		Year 37	95,442	96,629
Year 38	77,003	77,968		Year 38	97,109	98,320
Year 39	78,354	79,333		Year 39	98,811	100,041
Year 40	79,725	80,721		Year 40	100,538	101,791

