

A
Working Guide
Through the
Eastern Washington-Idaho
Synod
Compensation Guidelines for
Rostered Clergy

for preparation during the
year 2011

Internet Version

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The Executive Committee and the Professional Ministry Committee of the Eastern Washington-Idaho Synod

INTRODUCTION

Welcome to a process that means a great deal to your church and its future. You have a talented, devoted and gifted person in your midst, one that you call by many names. Minister, preacher, reverend, teacher, counselor, leader, shepherd, healer, administrator, comforter in crisis, youth leader, author and writer, speaker of justice, community leader, musician, interpreter, visitor, visionary. If you had to use a job title for the work of a pastor, there are literally hundreds of job descriptions that could be easily considered. You probably realize that no other profession has so many varied demands upon it. No other profession deals with the stresses of living in such close and intimate contact with the people that are served. Because God created us with many talents and gifts, no one person can do all these demands equally well. You know your pastor's gifts and devotion. We as a church are proud of our clergy and the dedication and calling from God that they take so seriously. They are a gift.

In our Lutheran tradition, the office of ministry is one that is entrusted to the church by our Lord. It's roots are found in Holy Scriptures, as the early church organized for mission and ministry to the world. Our present Lutheran forms of ministry have the fruits of 2,000 years of the guidance by the Holy Spirit, molding the office into it's present form. The Lord gives particular gifts to particular people in the church. Some of these people are called into the servanthood of ministry, for good order in the household of faith. Pastors are ordained as servants of the Word and as such serve the local congregation, the synodical and national work of the ELCA and the world-wide mission of the Lutheran church. Our Lutheran heritage affirms that it is the pastor's central calling to preach, administer the sacraments, teach and counsel (Augsburg Confession XXVIII). Congregations value the wisdom, leadership and faith of their pastors. We believe that this is the way God builds the church and cares and nurtures the people of God.

You may not realize it, but you have a very important role to play in the next few weeks. Clergy compensation is an important subject for our church and especially for your pastor and family. How a church compensates a pastor has implications for our future as a Lutheran church and for your own congregation's future and mission. Clergy morale, happiness in their family, the stress or lack of it over finances, their good will and a congregation's Christian hospitality all are a direct reflection of how compensation and stewardship issues are handled in a church. Often a pastor is put in a very awkward situation of having to work with a congregation on their own compensation package, being both counselor and advocate. Your work in understanding and supporting this complex issue will lift up the ministry of your congregation. It will be of a great help in the health and joy in the church. Thank you for volunteering to be a part of this process.

First of all, we need to look at the Bible and its teaching about clergy and their compensation. It is very easy to get caught up in this process as if it were a business decision in the congregation. It is not. It is a reflection of your congregation's spiritual health, vision for the future, justice and generosity. The Bible says that we are to give generously of our time, talent and treasures for the mission of the church. Your pastor's faithful and professional leadership is a key link in that mission and in your future.

Second, we need to look at ways we can make the most of the resources that God gives us. Our government through the tax system has provided ways for a congregation to maximize a pastor's home allowance through Section 107 of the IRS tax code. This same section of the tax code works in other professions, such as military and government workers. As we go through this step by step, we will work to use this to it's full advantage so that your pastor can maximize the compensation through the laws of our nation at no additional cost or burden to the congregation.

Finally, and this is important, we need to separate a couple of issues. Clergy *salary* is different than the *expenses of having a pastor and supporting a pastor's work*. Over the years, some congregations have gotten these issues understandably confused. Salary is what a pastor receives for the tasks that are a part of the calling. Like any other person who works, a pastor needs a living wage. Their family needs support. They have the same Christian calling all the members of the church have to keep up a home, buy a car, enjoy a hobby or two, provide for retirement and, if it is their calling, raise a family, send children to school and support their children as they grow older. They live in the same world as the members of the congregation.

Salaries for clergy have fallen over the past 30 years, relative to other similar professions with corresponding training and responsibilities. How can we attract and keep the best candidates for ministry to serve your congregation if we do not fairly compensate a pastor's gifts and skills? Some newly ordained pastors are coming out of seminary with large debt loads, approaching \$40,000 after paying for their seminary education. They need to have enough to live on and also be responsible in their financial affairs. We are already seeing the effects of poor maintenance of congregational salary package in the recruitment and retention of talented and gifted people in ministry. Our EWAID Synod sometimes has immediate openings for first-call pastors in our congregations. Yet, there are a limited number of individuals available to serve our Lord in this area. Your work on the budget has an effect on our church, both in your local congregation and nationally.

Other items in your church budget do not increase a pastor's standard of living, but simply are the costs of doing ministry in a congregation. They are much the same, no matter who your pastor is or how much experience in ministry they have. Medical and pension costs are a part of having a professional as a part of your leadership team. Automobile and travel allowances simply reimburse a pastor for the costs of travel on behalf of the ministry of the congregation and ELCA. Housing and furnishing allowances and parsonage expenses are a part of your budget because a pastor has to be able to move easily when one chapter of ministry and congregational history is finished and a new challenge awaits. Ministry is a mobile profession and all pastors and congregations need fresh starts at some point. Other professional expenses support your pastor's ministry: book allowances, continuing education, sabbaticals, office supplies, computers, cell phones and many other things. These things again do not increase your pastor's standard of living, but are simply the ministry costs of the congregation's work.

We are aware that pension and medical costs are increasing across the country in every profession. This is a concern that our ELCA is trying to address at the churchwide expression. Clergy often find that other peer professionals have a better health and pension plans. Some businesses now include as much as a 50% of salary figure in their business budgets for benefits and pension as an employer. The ELCA medical-pension amounts are well below that figure! Your pastor and family should be able to retire without worry and your efforts this year with compensation have an effect both now and also when your pastor retires after serving our Lord.

Ready to tackle the project? Really, this should be a blessing for your congregation and pastor. Let's go through this step by step....

STEP ONE: COMPENSATION: Salary Guidelines, Housing Allowances and Social Security Offset

First and foremost, we need to study the Scriptures and pray. This is a spiritual matter for your congregation's health and vitality. We know that the church is not a business, although it uses the wisdom of business practices. We are a community of faith. This means we go by faith, not by what the world's wisdom might be saying. Read aloud the following verses in your group:

Psalm 127:1

Psalm 145: 10- 21

Proverbs 2: 1-11

Ephesians 4: 11 to 16

1 Timothy 5: 17-18

Could someone in your committee please lead us in prayer, for our pastor and the congregation:
Heavenly Father, God of ages past and hope for years to come, you have called us to lift up the ministry of this congregation and the stewardship of it's vision. We pray for our Pastor(s) _____, for the home and family of our pastor(s). We thank you for giving us a pastor to care for us and teach us, to proclaim your Gospel and nurture this congregation in truth, justice and love. We thank you for this congregation, all the people of your Congregation, for the gifts you alone have provided that give us the energy and vision to do our mission to this

community. May your Holy Spirit now rest upon each of us, as we think of your generous spirit of grace and blessing and our mission needs for the coming year. Give us the faith to believe in your care, and trust in your goodness. AMEN.

Now....let's get our past budgets from the last two years out. If you want, it might be nice to review the pastor's letter of call, but a few words of caution: This is not the committee to review "how a pastor is doing" ... that task is for the personnel committee or the executive committee of the congregation. Your committee is fulfilling the congregation's constitutional requirement that "a committee review all salaries and compensations on a yearly basis." Remind yourself that you are working on everyone's behalf, not just the people in the room. What we will be talking about in this document is not a merit increase. It is a guideline to fair and equal treatment of clergy in our synod, as a minimum amount. So, get a good sharp pencil, computer, calculator and the worksheet (as an appendix to this document). Let's dig in:

When you last called a new pastor, the synod staff helped your congregation set up a fair compensation package. It is the reasonable expectation of our church that over the years, this package will change annually to reflect the additional years of experience in ministry, added skills and the increased cost of living. It will also change to reflect the process of working together as a congregation and pastor.

When the synod guidelines are set, one needs to separate two issues: The Cost of Living Allowance (often referred to as a COLA) and the Experience in Ministry that another year provides. Even those people who are retired and no longer work at their profession receive a COLA. COLAs reflect that inflation lowers our purchasing power each year. The COLA part of the synod guidelines are set with the most conservative figure available, the annual Social Security Administration's calculation, which is usually issued by the third week of October.

For this year, 2011, the Social Security Administration gives retirees a 0% increase in their monthly checks, announced in October 2009. This is a Cost of Living adjustment which keeps the purchasing power of the pastor's salary the same as last year without increases for experience.

Next, an amount needs to be set to fairly compensate for another year of experience. In your congregation, your pastor has learned about your people and their needs a bit better. He or she has learned how your congregation functions, something you would have to teach a new pastor all over again. A pastor has grown in wisdom and love. They have increased their skills through continuing education, reading and study. This is valuable and should be compensated. In addition, this figure is set with an eye to the overall economic health of our congregations and region. We are never as good as wish, or as poor as we imagine in this regard.

As a general rule, we believe that every year of experience is worth between .5% and 1.5% of a pastor's salary, adjusted somewhat for local conditions and the need to keep the EWAID guidelines in line with other similar synods.

For the year, 2011, the Professional Ministry Committee set the experience factor at 1.0% for the year.

The Executive is recommending a 1.0% increase in clergy salary for the 2011 calendar year. This is based upon the 0% cost of living adjustment that the federal government will make for 2011 plus a 1.0% increase for an additional year of experience. In these economic times it may seem to some that a 1.0% increase is high. It is important to remember that clergy compensation in our Synod continues to be in the bottom fifth of all clergy in the ELCA. In 2007 our Synod ranked in the bottom 19% for average clergy compensation and in the bottom 20% for median clergy compensation. To go below a 1.0% increase for 2011 will make us compare even less favorably with other synods. Thank you for doing what you can to keep faith with the very real expenses that your pastor's family, and every family, experiences.

Now, to put this in a simple form, we turn the following table. Note that there is a range of figures for pastors who do not live in church-owned housing (parsonage), but who do receive a housing allowance. This range should account for variations in housing costs throughout our Synod. A local real estate professional should be able to help you determine how your community compares with others in our Synod. Remember the housing equity

allowances for those who live in parsonages. Please check with your rostered leader for the year of their ordination to use the chart.

EWAID SYNOD MINIMUM GUIDELINES FOR THE YEAR 2010 (1.0% greater than 2010 for an additional year of experience. Note that the COLA for 2011 is 0%) We would expect our congregations within the EWAID synod to achieve this goal, as a *minimum* level of support, in clergy compensation during the year 2010.

Years of Experience	Salary, for those living in a parsonage	Salary + Housing Allowance: Range for those without a parsonage, 130% to 140%
0	\$33,499	\$43,549 to \$46,899
1	\$34,000	\$44,200 to \$47,600
2	\$34,513	\$44,867 to \$48,318
3	\$35,030	\$45,539 to \$49,042
4	\$35,556	\$46,223 to \$49,778
5	\$36,088	\$46,914 to \$50,523
6	\$36,631	\$47,620 to \$51,283
7	\$37,189	\$48,346 to \$52,065
8	\$37,737	\$49,058 to \$52,832
9	\$38,303	\$49,794 to \$53,624
10	\$38,874	\$50,536 to \$54,424
11	\$39,460	\$51,298 to \$55,244
12	\$40,053	\$52,069 to \$56,074
13	\$40,654	\$52,850 to \$56,916
14	\$41,264	\$53,643 to \$57,770
15	\$41,886	\$54,452 to \$58,640
16	\$42,510	\$55,263 to \$59,514
17	\$43,148	\$56,092 to \$60,407
18	\$43,795	\$56,934 to \$61,313
19	\$44,451	\$57,786 to \$62,231
20	\$45,119	\$58,655 to \$63,167
21	\$45,796	\$59,535 to \$64,114
22	\$46,483	\$60,428 to \$65,076
23	\$47,181	\$61,335 to \$66,053
24	\$47,888	\$62,254 to \$67,043
25	\$48,607	\$63,189 to \$68,050
26	\$49,335	\$64,136 to \$69,069
27	\$50,085	\$65,111 to \$70,119
28	\$50,827	\$66,075 to \$71,158
29	\$51,589	\$67,066 to \$72,225
30	\$52,363	\$68,072 to \$73,308

After 30 years, use this year’s annual percentage increase of 1.0% per year of experience.

Synod guidelines are NOT to be used as ceilings. They reflect the **minimum** level of compensation recognized. Remember these figures are for base salary and housing alone, not housing furnishing expenses/utilities allowances, social security offsets, pension and medical, professional expenses or other items in your budget that reimburse your pastor for professional or congregational expenses. These are figured below.

That takes care of the salary part of the package. But now we have an interesting process to go through. Because of the tax laws, Section 107 of the IRS tax code allows a full time ordained clergy to shelter some income/expenses from income tax, but not from social security tax. Section 107 allows the cost of owning,

renting and maintaining a church parsonage or personal home to be excluded from form 1040, but not form SE. You should encourage your pastor to learn all that he/she can about the IRS code, so they can maximize this tax benefit with your congregation's compensation. So let's start that process, adjusting the package you offer your pastor to give full benefit of the law.

STEP TWO: Housing Allowance, Housing Equity And Social Security Offset

In our synod some pastors own their own homes while they serve a congregation, while others live in church provided housing (a parsonage). Therefore the guidelines need to be "tweaked" for your own congregation's housing arrangements. What all pastors have in common is the ability to exclude from taxes all the expenses that make a house a home, such as landscaping, cleaning supplies, furniture, appliances, utilities, upkeep and repairs. The only two items that are excluded by the tax law are food and household servants. If you just give a utilities allowance, you are not using the full extent of the law's allowance for clergy housing. Very important too, is that your pastor is not getting the full and legal benefit of the law.

PARSONAGE LIVING

In some of our churches, the church owns a home and provides it for their pastor. However, the pastor still has to pay social security tax on the fair rental value of the parsonage (see step four, Social Security Offset). Since the church provides the housing, pastors lose an important tax benefit in being able to itemize deductions and mortgage payments, in addition to paying social security tax on the church-provided housing. They also lose housing equity, which most people seek to accumulate over their lifetimes so that they can retire with the asset of a home (see below, Housing Equity Allowance). These loses, plus the pride of owning one's own home, being able to maintain it without waiting for church committees or votes, spousal concerns and the ability of a choice in housing has led many pastors in the past three decades to seek their own homes.

Nevertheless, for some congregations, a parsonage is still reasonable to offer during the call process. These reasons might be due to the local economic conditions (such as decreasing home values, congregations with a history of short pastoral stays or slow housing markets), lack of down payment resources for clergy or congregational stewardship. In any case, the housing allowance should take care of all expenses that are anticipated in the coming year for the pastor in the parsonage.

Still other congregations allow a pastor to rent a home and base their allowances on the expenses of a rental home of the pastor's choosing. This lets someone else be the landlord and often is a good choice for parish staff when local conditions dictate. It is best not to have a landlord who is a member of the congregation. This avoids dual relationships and conflicts of interest. Our Synod office has materials available which set fair guidelines for the quality and standards of parsonage living. There are also guidelines for politeness, boundary issues and fair payment of utilities and repair costs. These are also available as an appendix to this document and also at the synod web page at <http://www.ewaisynod.org>

CLERGY OWNED HOUSING

In other churches the pastor is left free to choose their own home and to purchase it. While there is a disadvantage when a pastor moves and it comes time to sell a home, the tax benefits and ability to truly call a house a home make this a decision most pastors desire. The congregation is freed from property management tasks and the possibility of friction between a pastor and a property committee over maintenance issues. It is one less thing that a congregation has to worry about. In both cases, the housing allowance can allow a pastor to maximize the package of salary and reimbursements that a congregation offers. With clergy owned housing, the mortgage payments and other additional fees, such as property taxes, are covered by the Section 107 tax benefit. So with a clergy owned home, it would not be unusual to have a lower salary and a higher housing allowance than a parsonage living pastor. The bottom line would remain the same, but by changing the ratio of salary to housing allowance, the pastor who owns a home would receive a greater benefit from the law.

Usually the congregation sets the salary package and the pastor sets the Housing Allowance figure, so that all expenses in purchasing, maintaining and living in the home are covered by the Section 107 tax benefit. *This can only be done in advance of the expenses, not retroactively. This is usually done annually with the congregational budget process, but can be done at any point in the church year for the months following after the recording of the council action in the minutes. One can never set a figure that accounts for monies already spent, since the housing allowance can only account for future expenses.* It is usually wise to provide more than the minimum figure, so that the pastor can pay unanticipated expenses and use all the benefit during the year. For instance, a refrigerator might need to be replaced or a new family member might be anticipated. A housing allowance **MUST** be designated in writing before the benefit can be used. This is done by a congregational council resolution or the passing of the annual budget which sets forth the housing allowances as designated line items. Any excess or unused allowance must be reported to the IRS as salary by the pastor. By setting a high figure, as long as it does not exceed the fair rental value of the house **and** its furnishings, the congregation can help the pastor use the tax benefit fully. Any excess allowance simply returns back to salary basis, for which the pastor is responsible. Your pastor(s) will be wise to consult their own tax preparation specialists for more details.

Some congregations also help with the down payment and closing costs of a new home. Most pastors in high housing cost areas do not have the funds for a down payment. You need to consult an attorney or accountant to make sure that any contract that is entered into between the pastor and congregation is fair to both parties and keeps the legal status of the congregation protected. For instance, the use of "gift" language will not take away tax liability, or an oral agreement that a repayment that is expected from the pastor but not clearly written out in a legal contract can be troublesome. One wants to avoid any surprises at the time of a pastor moving away.

So how do we figure out the actual housing amount?

It is the pastor's responsibility to come up with a figure that will best represent the actual costs of housing and related expenses in your community. The pastor then requests that the housing allowance be set at a figure that best represents the actual and anticipated living expenses of the home, not to exceed fair rental value of house and furnishings (remember what a TV or bedroom set costs to rent at a rental agency).... Some of the steps in this process for a pastor are:

1. Have a real estate professional do a "comp" appraisal on the rental value of the parsonage or have an estimate of the mortgage and property taxes due on the his or her home for the coming year.
2. Estimate utilities costs for the coming year, such as power, water, sewer, garbage, basic phone and cable TV (At the moment, internet fees are not a part of the housing allowance). Anticipate a worse case of a hot summer and cold winter, so the utilities will not be underestimated. Also included are insurance costs, taxes, homeowner association fees.
3. Add a furnishing amount, for the purchase, repair and replacement of household furnishings. Anticipate what might be needed... what if a washing machine fails or one needs a new piece of furniture?
4. Add landscaping costs, household cleaning and repair costs, in short, anything that makes a house a home. Computers, food and servants are not housing expenses according to law. This figure, up to the limit of fair rental value with furnishings, should be the housing allowance that is requested. A pastor should check with a tax accountant or attorney on the changing interpretation of the housing allowance law.

At this point, the pastor requests that this amount be set in the budget as a housing allowance. From the time the budget amount is approved by the council and/or congregation vote and recorded in the minutes, the tax benefits can be used. You cannot set a housing allowance that covers the amounts you have already spent. You can only do it for the future. For some congregations, this might be something that could be negotiated as a salary reduction/housing allowance increase. For most, this has already been a part of the budget since the congregation was formed. Remember that the pastor still pays social security tax on the housing allowance and if in a parsonage, additional social security tax on the fair rental value of the home.

HOUSING EQUITY

Congregations that provide their pastor with a church owned parsonage should contribute a housing equity payment to the ELCA Pension Fund, the ELCA Mission Investment Fund or another appropriate investment fund. It is recommended that the fund be set at 3% of the "Salary without Parsonage" figures on the minimum guidelines chart. This equalizes the retirement possibilities for pastors who are housed in parsonages and those who own their own homes. Since home ownership provides tax breaks and equity at retirement time, this payment keeps the pastor on a more equal par with his or her peers while allowing the congregation the flexibility of a parsonage.

SOCIAL SECURITY OFFSET

Because a pastor has to pay both the employee AND the employer portions of the Social Security tax, they incur a double burden that very few people who work have to bear. Clergy are self-employed for the purpose of Social Security payments, while employees for income tax payments. Congregations are not allowed to pay a pastor's social security tax. So congregations are strongly encouraged to offset this problem by paying the employer portion of the social security costs for the pastor, as a social security offset. This is usually written into the letter of call. This isn't a full reimbursement, because the IRS in their wisdom, counts this amount as both taxable income and social security income on the pastor's tax form. It is also considered income when computing pension plan contributions. The ELCA board of pensions can help you figure this amount out at <http://www.elcabop.org/>. At the present, it is **7.65%** of the "Range without Parsonage" figure plus any furnishings, utilities, housing equity, etc. allowances.

You also should remember that during this budget process, this is gross, and not net, salary. All these figures are BEFORE a pastor has to take out taxes on them. Most employees think in terms of net salary (i.e. after taxes are taken out of a paycheck), while this process is working with gross salary. You might have to explain that to some people who think the figures are high. These figures are before taxes are taken out by the pastor, and are not the "take home" pay or reimbursements.

STEP THREE: Pension Medical and other Ministry Expenses

Now we leave the pastoral salary, housing allowance and social security offset behind us. We enter the part of the budget where the congregation is paying the basic expenses of a ministry. These next expenses are not for the betterment of a pastor's finances. When the budget is presented to the congregation, it must be made clear that a pastor does not benefit from these items. It is reimbursing the CONGREGATION'S EXPENSES that a pastor incurs in being your pastor. The pastor acts on behalf of the congregation and the congregation reimburses that ministry expense. These items should not be presented in the salary section of the congregational budget, but grouped as "ministry support" or "program expenses".

PENSION AND OTHER BENEFITS REQUIRED BY THE ELCA

We needed to do steps one and two to figure out the pension and health care plan expenses. The ELCA Board of Pensions, <http://www.elcabop.org/>, will help you work through this part of the ministry package. Like any modern business, the costs of medical care are increasing faster than the basic inflation rate. For some businesses, this part of the costs of running a business is approaching 35 to 50% of the entire employee package. Medical and Pension plan involvement is required for all full time clergy, unless the pastor is covered by another medical plan.

Our ELCA Board of Pensions is working very hard to keep the benefits just and fair, while also containing costs for the congregation. They have provided many calculators for you to use to determine the costs of the pension in the congregation. We are in rate class number 2, which is among the lowest in the nation for calculating our medical costs.

There is a package of materials from the ELCA Board of Pensions that each pastor and congregation receives that outlines the monthly contribution rates. You can look up the latest contribution rates on the internet, as well as use

the calculators to estimate your costs at: <http://www.elcabop.org/>. You can also be in conversation with the **ELCA Board of Pensions in Minnesota**, (800) 352-2876, to work on the amount to put in the budget for this item. Remember they are on Central time and it is best to save the computation of the pension for the last part of the process, since you will need a complete picture to arrive at the pension figures.

The ELCA Pension program is designed to supplement the Social Security system and pastors are strongly encouraged to remain within the Social Security program, for retirement, disability and survivor benefits.

MINISTRY EXPENSES AND OTHER AGREEMENTS IN THE LETTER OF CALL

There are other ministry expenses that the congregation supports, so we all might do the work of ministry together. These are usually outlined in the letter of call when a pastor arrives and need annual review.

1. Automobile and Travel Allowance
2. Continuing Education
3. Expense Reimbursement
4. Vacation and Days Off
5. Pulpit Supply
6. Sabbatical Time
7. Pastoral Conferences / Bishop's Convocation
8. Malpractice Insurance
9. Health Issues
10. Supplemental Insurance
11. Maternity/Paternity, Sick Leave, Disability
12. A Note on "Gifts"

AUTO AND TRAVEL ALLOWANCE

Pastors usually have to provide their own transportation. Ministry is mobile. Pastors visit homes, hospitals, attend text studies and meetings, go to synod and regional events, get congregational supplies and are expected to be available at a moment's call. Congregations reimburse a pastor for these professional miles. The IRS rules are complex in this area, but include an amount that fairly compensates a pastor for the use the expenses of travel in a vehicle on church business. This can work in various ways:

1. It can be a set yearly amount in the budget, paid as a part of the monthly payment, but that will be considered income by the IRS and will be taxable as such on the pastor's tax return. This amount should then be on the W-2 and expenses reported on form 2106 as an employee business expense. If the pastor lives in a parsonage, it is likely that the pastor will not be able to use expenses to offset the income, since Form 2106 now has a percentage test that must be met and without the itemized deductions that a mortgage provides, it is difficult to get past the percentage.
2. Often the best plan is to have a mileage reimbursement plan set up at the IRS specific rate for business mileage. *The 2011 mileage rate is 51.0 cents per mile.* Typically, the IRS requires a report from the pastor to the church officer (usually the treasurer) concerning the business use of the mileage. Due to the rapid changes in the price of oil and changes in the world's economy, this figure can and sometimes does change at mid-year. If you wish to pay directly to the pastor, the congregational budget should be adjusted to keep track with the latest IRS mileage rates, if necessary.
3. As an alternative, the congregation to purchases/ maintains or leases a vehicle for pastoral use and pays the expenses directly as a part of the budget. All expenses are paid directly by the congregation. You should encourage your pastor to be well versed in the IRS rules concerning the auto allowance, including documentation requirements. There are several ways in which this allowance can be set up with various tax

concerns for each. Parking, ferry travel and other travel expenses should also be considered as reimbursable, regardless of the plan used. Confidentiality in a pastor's travel is another issue that must be respected, since it often involves counseling and family assistance.

CONTINUING EDUCATION

The ELCA requires all pastors to be involved in a program of continuing education that consists of 50 contact hours of work (in other professions this would equate to 5 Contextual Education Units (CEUs). It is an excellent investment in the future of your congregation and in the future of your pastor's ministry. Many businesses routinely send their employees to continuing educational events and training. A congregation should provide a fund to help a pastor in his/her continuing education as required by the ELCA. Pastors are also expected to contribute to their continuing education, perhaps through a salary reduction plan. Time and money may be accumulated, up to a three year accumulation. It is a good idea to use the Region One accounting office to manage the funds in a continuing education account. The congregation is expected to provide no less than \$700 annually in 2011 to provide for the on going education and renewal of your pastor. The recommended amount to be provided is \$1,000 annually. The letter of call should also provide for two weeks of continuing education time away from the parish, which includes two Sundays. If your pastor is in the first three years of ordained service in the ELCA, an additional \$250 annually is required for their required additional first call education and a strong start in the ministry. Continuing Education benefits can be "banked" for a maximum of three years, so that a larger educational project may be accomplished. We urge congregations to adopt the following policy about accumulated continuing education time when a pastor resigns from a congregational call: "A pastor may take only as many days of accumulated continuing education time as he or she has used in the previous 11 months, when those days will be used after the date of the announcement to the parish of his or her resignation or termination of call."

EXPENSE REIMBURSEMENT ALLOWANCE

Many congregations provide an allowance to offset the many expenses a pastor incurs as a part of their daily work. New books, office supplies, computer upgrades, internet access, professional journal subscriptions and other things that a pastor uses in daily work in behalf of the congregation should be reimbursed, either directly or as a line item budget. An accountant can set up a plan that will allow a pastor to be reimbursed without additional tax liability, as a "accountable reimbursement" plan. If one uses this plan, appropriate motions must be made by the congregational council at its first meeting after the church's budget is passed and a system for submitting vouchers and receipts for reimbursement established. A recommended figure is between \$150 and \$400 annually for professional books and subscriptions.

VACATION & DAYS OFF

Often this isn't directly in a congregational budget, but it is a part of the ministry package in the Letter of Call. You should encourage a pastor to fully take the vacation, continuing education and sabbatical times that are offered. To keep fresh in the skills of ministry and interpersonal relationships, one needs time away. A minimum of 28 days, including 4 Sundays, is a standard part of the letter of call.

Congregations should see that a pastor receives and takes a minimum of one day off each week. It is strongly recommended that *two days off per week* are arranged for in the schedule of the church. Even so, most pastors report a 50 to 60 hour work week, which often does not have a "weekend" like most people due to Saturday and Sunday activities related to the ministry. This time should be time fully away from parish concerns. During this time, meetings should not be scheduled which would require a pastor's attendance and the pastor should be considered available only in the event of a personal emergency. A congregation should encourage these days off as much as they encourage the full heart and soul of the pastor during the rest of the week.

Some congregations are also offering an expanded Sunday vacation time, as a way of compensation for the faithful service pastors are required to provide on Sundays all through the year. A pastor's day off is often when the rest of the family is at work or in school, and the parsonage family cannot enjoy quality time together. In rural settings, where getting away to conduct commerce is a fact of life, a pastor and family find it difficult to do the basic tasks of providing for a home and family, since they do not get the weekend times or a full three day

vacation weekends together. Some congregations are adding one Sunday per quarter to the pastor's vacation package in recognition of this fact. This is a relatively inexpensive way to help a pastor and also lets the congregation enjoy a new face in the pulpit on a regular basis! In the absence of any officially recognized agreement or policy about the accumulation of unused vacation days, it is recommended that congregations adopt the following ELCA churchwide policy: "A maximum of 10 days vacation time may be 'carried over' from one year to the next. No more than 10 days of additional vacation time may ever be retained."

Single pastors need this time away as much as pastors with a family. Congregations should be aware of any ways in which they might assume that a single pastor is treated differently than a pastor who is married, or a pastor with children being treated differently than a pastor without children. Fairness should be the guide.

PULPIT SUPPLY

In the budget, you should provide for pastoral coverage in the absence of your pastor, so that vacation time can be used fully and without worry by the pastor. The synod office and our Synod Web site, www.ewaidssynod.org, has a listing of pastors who are available. Be advised that due to the shortage of pastors, you may need to arrange this well in advance and even at that, you may have to be flexible. With the number of parishes in our synod that are looking for pastors, the supply of supply pastors is very short. Many are already doing interim ministry. For that reason, if your congregation has an associate pastor, please consider sharing her or him with other local congregations in your area that need to hear God's Word, when their pastor is on vacation. Pulpit Supply is to be reimbursed by the congregation this year at the following minimum rates:

For the year 2011:

One Service: \$110

Two Services: \$146

Each Additional Service: \$40

Bible Study Class teaching, as a part of Sunday schedule: \$62 per class

Workshops, Lectures, Classes done at other times: As negotiated

Mileage to and from the congregation: At current IRS business mileage rates: 51.0 cents per mile. (2011 rates, update as required)

Note: Because of the national economic downturn our retired clergy are facing a 9% drop in their retirement checks from the ELCA for the next two years. If you are having a retired pastor as your pulpit supply and if you are able, it would be great to increase your compensation to him/her. Thank you!

SABBATICAL TIME

There is a growing movement to provide for a two to nine month sabbatical in congregations. This time away from the congregation is to renew a pastor's energies and vision. It is an excellent investment in the congregation's future. In a sabbatical, the congregation gets many of the benefits of a fresh start without the additional expenses of a new call process and lost momentum frequently experienced in calling a new pastor. It also provides the benefits of a longer-term pastorate in the parish, since studies show that a sabbatical often extends a pastor's stay within a parish. Usually this time away is after a pastor has been in the parish for four years or longer. By advance budgeting, monies are set aside each year to cover the expenses. During a sabbatical leave, the congregation pays full salary and benefits to the pastor on sabbatical, plus the expense of pastoral supply during the period. Our Synod has a sabbatical policy and our staff or Professional Ministry Committee members will be happy to help you set up a sabbatical policy for your congregation.

You may not realize it, but the vacation and sabbatical packages are powerful symbols of love and respect for a pastor and these offerings are well noted during the process of calling a new pastor. They are also powerful symbols of health and vitality for a congregation. Both congregation and pastor benefit by the use of renewal and recreation time.

To learn more about sabbaticals, including our Synod's sabbatical policy, contact Rev. Mark Nelson in the Synod office at 509-838-9871.

PASTORAL CONFERENCES / BISHOP'S CONVOCATION

Congregations should provide a policy that sets forth that attendance at pastoral conferences, both regional and synodical, are not to be considered vacation time, or if required by the letter of call, synod or bishop, continuing education time. This is a part of the letter of call to the greater church. Parishes should consider providing an allowance so that both pastors and spouses may attend these events. Attendance is necessary to conduct the business of our church and keep pastors and congregations up to date on events in the church. Spouses also need time to be refreshed in the greater vision of the church.

MALPRACTICE INSURANCE

Unfortunately, our society is increasingly litigious. Congregations would be wise to discuss with their insurance carrier the benefits of malpractice insurance, as well as setting forth a policy that limits the exposure of the congregation in this area. It may also be beneficial to discuss ways in which all staff and volunteer positions can be made safer, especially in the areas of sexual and child abuse. Our Synod has a workshop on congregational safety dealing with these matters. Additional insurance can help with a legal defense, the cost of which most congregations can ill afford at current rates.

HEALTH ISSUES

Parishes should consider paying the cost of an annual comprehensive health exam (both physical and mental health) for the pastor. We are increasingly aware of the cost, to the congregation and to the pastor, in not providing these opportunities. A congregation should also allow time during the week for responsible self-care by clergy, such as physical activity or times for renewal, spiritual direction and peer review. This should be considered a vital part of the calling. With evening meetings and demands on weekends, often pastors can only do these things during the business day. Pastors should be encouraged to model good self-care practices and good boundaries, in regard to family time and responding to the demands of the parish. Being on call 24 hours a day often requires compensation time at other less busy times. Stress management allows the pastor to be a non-anxious presence among the congregation. These are health issues that should be fully supported by a congregation.

SUPPLEMENTAL INSURANCE

Until 1995 the ELCA Board of Pensions offered a Supplemental Medical/Dental Insurance which reduced the deductible amount a pastor paid and also increased the amount of coverage. This policy has been discontinued. However, a congregation may still wish to consider an allowance which could be drawn upon by the pastor and beneficiaries to keep medical costs reasonable, to supplement regular medical benefits and deductible costs. There are IRS "cafeteria plans" to provide for this coverage.

PARENTAL LEAVE, SICK LEAVE & DISABILITY POLICY

In the Lutheran Church we believe in the importance of family. A congregation should have in place a policy for parental and sick leave. These items are included in the ELCA Letter of Call. It is wise to have these policies in place before the onset of major illness or injury. There are also policies in the ELCA that concern the disability of a pastor. Recommended sick leave is up to six full weeks per year with full salary, housing and benefits. A generous parental leave is good policy as well, for the health of the mother, father and child and the bonding within a new family.

A NOTE ABOUT DISABILITY TO CONSIDER

If a pastor becomes disabled as a result of injury or disorder, either physical or mental, and is therefore unable to perform the material duties of his or her calling for the congregation, the ELCA Board of Pensions expects the employing congregation to pay full salary and benefits for the first two months of the disability. Beginning with the third month of disability, the Board of Pensions provides 66.66% of pre-disability pay as a benefit, with the expectation that Social Security will provide the rest of a living income. This is another reason why keeping your

pastor at guidelines is important. In case of disability or death, the pastor or survivors will receive that percentage of what the congregation provides during this next year, for the rest of their working years. In the same vein, any sort of compensation package that modifies these guidelines should provide for a restored pension payment based upon the full guideline amount. This way a pastor who helped a congregation reduce present expenses is not further penalized by a dramatic reduction in future retirement income.

A NOTE ABOUT "GIFTS"

This issue sometimes comes up: For example, a congregation organizes a gift for a pastor or an employee, to mark an anniversary, special day or birthday. *If* the monies are given through the church accounts and count as a charitable deduction for the giver, then it is taxable income to the pastor and should be reflected on the W-2 and possibly the pension basis amount. *If* the monies are all cash, given directly and personally to the pastor as a surprise and are not given in return for specific services rendered; given outside of church budget and control, not organized by the congregation and will not be counted as a charitable deduction by those who give, then it *might* possibly be considered a gift. Gifts are usually considered taxable income unless the above conditions are met, and even then are carefully considered on a case by case basis. One needs to be careful in this area. Funeral, baptismal and marriage honorariums are never gifts, since they are given in return for services rendered. They should be reported as income on the pastor's IRS Schedule C.

FINAL STEPS: ALMOST DONE!

Usually this would be all that we need to do. It is polite to have someone in the committee contact the pastor with the final numbers of the committee's work within 24 hours if the pastor wasn't present at the meeting. The committee should then be open to pastoral input on the process. It is suggested that the pastor be present for all salary discussions. Then the head of the committee should have the package presented in advance of the next council meeting to the church council, so that they can approve it and then send it on to the congregation for a vote during the budget process. To set a pastor's compensation package, one needs to have about four to six weeks of lead time before a congregational meeting, depending on when the church council can meet to approve the package.

It is then your committee's task, along with the council, to provide a positive, supportive and forward-looking environment for the discussion. We are to lift up the Body of Christ in everything that we do in the church. Be available to answer questions before the meeting and to anticipate any concerns in the presentation of your work.

Write a good article in the newsletter about your decision and the details of how a pastor's compensation package is put together. Have an adult forum on the budget before we meet together as a congregation. A little bit of openness here can avoid meetings that few can be proud of, and can help lead the congregation into a healthy environment of mutual respect, love and trust. Often a positive presentation can help a meeting become an exciting time of mission. Congregations really do want to be faithful and proud of the way they compensate the servant of God in their midst.

"We call you to exercise the office of Word and Sacrament in a mutual relationship and commitment for the sake of our ministry in Christ's name. . . The basic nature, responsibilities, and conditions of the office are stated in the official documents of the Evangelical Lutheran Church in America. The specific duties and conditions, together with compensation related to this call, are declared in the accompanying Statement. For this ordained ministry to which we have called you, we pledge you our prayers, our love, our esteem, and our personal support. . ." --- The ELCA Letter of Call