



2021 – 2022 Compensation Development Workbook for Pastors & Congregations

Baseline Compensation for 2021 – 2022 approved at 33rd Annual SPS Assembly.
For use July 1, 2021 – June 30, 2022.

The aims of this workbook are:

- To establish an equitable, minimum level of compensation for pastors given their levels of responsibility, experience, and education.
- To clarify the multiple types of expense for pastors and congregations as well as the ministry expectations of the pastor and congregation in their partnership.
- To provide congregations of the Sierra Pacific Synod with tools for annual determination of appropriate minimum compensation and the ministry priorities for the coming year.
- To assist congregations and pastors in completing the ELCA's form "Definitions of Compensation, Benefits, and Responsibilities for Ministers of Word and Sacrament Under Call"

Actual annual compensation levels as well as other aspects of the total compensation package are best determined through the mutual conversation of congregational leaders and the pastor. If you would like assistance with these conversations, please contact:

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1. HOW TO ESTABLISH APPROPRIATE COMPENSATION

Pastors are not always paid what they should be paid. While that may seem harsh, it is true for many of the congregations of the Sierra Pacific Synod. Certainly, average compensation has increased over time, but there are many pastors who receive minimal pay for maximum workloads. Pastors are professionals. They bring to the church and specialized ministries their gifts, training, and personal resources, and should be compensated according to their education, ability, and responsibility, and in line with the incomes of professionals in comparable positions. They should be able to provide for their own economic needs and those of their families as they serve the Church.

At the same time, a congregation or specialized ministry deserves to be served by its pastors in a manner consistent with the spirit and letter of the call. Mission, programs, and duty expectations must be clearly defined if pastors are to be held accountable for their service.

Each year, as a part of the budgeting process, a Congregation Council or appointed groups should review the compensation, benefits, and responsibilities for their pastor. This annual work must be marked by openness, honesty, and graciousness. Both the congregation and the pastor should articulate their needs clearly. Congregations may define their expectations for mission and ministry in the coming year and their standards and details of that work. The pastor may define their boundaries and needs for sustainable compensation and mutual support from the congregation. In addition to these annual reviews, a regular evaluation process of mutual accountability and adaptive changes should be established.

No covenants (however carefully crafted) can give congregations or pastors concise and simple answers to their ongoing mutual ministry. The ELCA document “Definitions of Compensation, Benefits, and Responsibilities for Ministers of Word and Sacrament Under Call” is a starting point for ongoing conversation. A regular evaluation process of mutual evaluation, accountability, support, and adaptive changes should be established. Moreover, while these guidelines may apply specifically to pastors, the same principals apply to all ministry professionals. Secretaries, musicians, administrators, youth ministers, custodians, choir directors, teachers, and other employees also deserve clear expectations, sustainable compensation, and ongoing mutual conversation.

2. COMPENSATION (BASE CASH SALARY)

The Baseline Compensation amount is established each year by vote of the Synod Assembly. The Sierra Pacific Synod in Assembly annually sets a “Baseline Compensation” for its pastors. Baseline Compensation is determined annually by consulting both the California and the Western States Consumer Price Index (CPI).

**BASILINE
COMPENSATION**

The 2021 – 2022 Baseline Compensation

BOX A: \$59,314

The Sierra Pacific Synod covers a large, economically diverse area with housing costs which vary widely. This cost-of-living adjustment to the base compensation is intended to acknowledge that diversity from one ministry site to another. To adjust for the cost of living in your area visit www.zillow.com and find the "Sell" tab. Then click on "Home Values." Underneath the graph, type the zip code of your congregation into the box that says "Compare" and hit "submit." At the top of the chart you will see the median home value. Multiply the amount of the median home value by .01 to achieve the adjusted baseline compensation. For example, if the median home value in your zip code is \$850,000.00 the adjustment is \$8,500.

LOCALIZED COST-OF-LIVING ADJUSTMENT	Median Home Value of your zip code from Zillow: \$	BOX B \$
	Multiply by .01 and write it in Box B.	

Add Box A and Box B together to determine the adjusted Baseline Compensation for your pastor. If the current compensation of your pastor is below this adjusted baseline amount, the Sierra Pacific Synod expects that a specific and mutually-agreeable written plan will be developed to bring compensation up to the adjusted baseline level within three years. The three people at the beginning of this document are available and able to help you with this

ADJUSTED BASELINE COMPENSATION \$

As per most professional compensation systems, we acknowledge the value of acquired skills, wisdom, and experiences that can only come from actual ministry experience. To account for these benefits in the pastor's service, credit one point for each year of service as an ordained roster minister, up to a maximum of 40 years. Enter these points into Box D.

Research has established that vibrant long-term rostered service is often associated with congregational vitality. We seek to reflect our shared valuing of healthy, long tenured ministers with this adjustment. Credit one point for each year of service your pastor has been in your current congregation, up to a maximum of 10. If this is a new call, enter 0. Enter these points into Box E.

Increasingly, persons with prior experience in relevant fields enter rostered ministry in our church. We seek to acknowledge the value of prior experience in relevant fields such as teaching, finance, counseling, administration, social work, etc. with this adjustment. Credit one point for each year of prior experience in a relevant field up to a maximum of 8 points. Multiply those points by 0.5 and enter them into Box F.

Lutherans have long expected that their rostered ministers be well-educated. This credit seeks to account for and encourage life-long learning for leadership. Credit 5 points to those who have taken the time and made the commitment to earn a degree in a ministry-related field beyond the Master of Divinity level (eg. an MA, MTh, DMin, PhD, ThD, STM). Enter these points into Box G.

Box D	Box E	Box F	Box G	Total Points
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Boxes D-G quantify the value of experience and education a pastor may possess and therefore an appropriate adjustment to their compensation. The modifier for this is equal to 2% of the synodically identified Baseline Compensation figure. For 2021-2022 the value of that modifier is set at \$1186. Multiply the total points by 1186 to determine the dollar amount for the appropriate adjustment.

Compensation Modifier Total Points multiplied by 1186 \$

To arrive at the pastor’s compensation for the year, add the Adjusted Baseline Compensation and the Compensation Modifier.

Adjusted Baseline Compensation \$

Compensation Modifier \$

Total Compensation \$

3. HOUSING ALLOWANCE

Total Compensation is a combination of lines A1 and A2 on the “Definitions of Compensation, Benefits, and Responsibilities for Ministers of Word and Sacrament Under Call.”

Ordained ELCA ministers called to congregational or specialized ministries may designate a portion of their compensation as a "housing allowance." This is a significant tax advantage to the congregation, giving pastors the ability to exclude from federally taxable income that part of their salary that is used to provide a home (Internal Revenue Code section 107).

The amount of compensation that is designated as housing allowance is determined by the Congregation Council and must be recorded as a vote of the council prior to the beginning of each calendar year. It is appropriate for the council to determine this amount in consultation with the pastor. Here is a sample motion that your council may use:

Designation of Housing and/or Furnishings Allowance by Congregation Council

Upon motion duly made and seconded, it was voted to designate \$_____ of the cash salary for 20____ to be paid to the Rev. _____ as a housing/furnishings allowance in response to the pastor’s request and acknowledgement that the allowance so designated does not exceed the fair rental value of his/her home, furnished, plus the cost of utilities (or the fair rental value of the furnishings where a parsonage is provided). Therefore, cash salary shall be \$_____ and the housing allowance shall be \$_____.

Please remember that the housing allowance is not an exclusion for income when determining Social Security or SECA tax obligations or health and retirement benefits. When calculating these other benefits the terms and definitions of this worksheet may not align perfectly with the terms and definitions of Portico Benefit Services. A synod staff person can help you reconcile the differences.

These kinds of expenses can be used when calculating the amount of the housing allowance:

- Mortgage or rent payments
- Real estate taxes
- Property Insurance
- Down Payment on a home
- Utilities
- Furnishings & Appliances (purchase & repair)
- Remodeling & repairs
- Yard maintenance & improvements

The housing allowance amount is always excluded from federal income. This means that the congregation excludes this amount from Box 1 of the W-2. The amount of the housing allowance will, however, be entered in Box 14 of the W-2, which is merely an information item. A pastor should always check with their own tax advisor for personal questions or concerns about the housing allowance or other tax issues.

4. MINISTRY-PROVIDED HOUSING (PARSONAGES)

Many congregations own a house for the pastor to live in. Considering the cost of housing in many parts of our synod, this can often be an affordable option for ministry between pastor and congregation. Where a congregation provides a parsonage, the congregation should assume all costs for maintenance and utilities. The congregation may pay these costs directly or give an allowance to the pastor sufficient to cover the expenses. To calculate such an allowance see section #3, Housing Allowance. Note that Portico Benefit Services and the Internal Revenue Services may use terms such as “furnishings allowance” for these same expenses when a parsonage is provided. In addition to these costs, the congregation should provide and maintain major appliances in the parsonage.

While living in a parsonage has many advantages, it does not build home equity for retirement. If a parsonage is provided, the congregation is encouraged to provide the pastor an annuity for future housing needs. For this purpose, the congregation may want to establish a “Housing Equity Account.” It is helpful for the congregation to pay directly to a tax deferred plan which delays the income tax due until the funds are actually withdrawn for use; this can be done by making additional employer contributions to the Portico Benefits Plan. It is recommended that these contributions total at least 3% of the defined compensation.

When housing is provided for a clergy couple, a 30% housing allowance for each spouse must be included when calculating defined compensation for Portico Benefit Services. This will ensure sufficient retirement contributions are made to each spouse’s account.

5. SOCIAL SECURITY ALLOWANCE

While most pastors are employees for federal income tax reporting purposes, they all are self-employed for social security purposes (with respect to services they perform in the exercise of their ministry). This means that pastors are not subject to "FICA" taxes, even though they report their income taxes as employees and receive a W-2 from their church. Rather, they pay the "self-employment tax" of 15.30% of their salary and housing allowance.

Since congregations are required to pay 7.65% of all other employees' salaries for social security benefits, it would be fair to pay this amount as a Social Security allowance for the pastor. Many congregations provide an allowance for all or part of this expense. This allowance, if provided, is part of the taxable income for the pastor.

6. ELCA PENSION AND OTHER BENEFITS PLAN

The congregation should provide for the pastor's participation in the Portico Benefits of the Evangelical Lutheran Church in America. This plan includes coverage for Retirement Pension Benefits, Medical and Dental Benefits, Disability Benefits, and Death Benefits for the pastor. Pastors have the option to waive coverage through this benefit provider.

Coverage for dependents (spouses and children) is now optional only to the extent that it is provided by the employer of the spouse. In other words, if coverage is not provided for dependents by another employer, the congregation is expected to provide coverage as part of the pastor's benefits package.

Portico Benefit Services (formerly ELCA Board of Pensions) provides a memorandum to members and congregational treasurers each year (usually in August or September) which outlines the percentage of defined compensation which will be required for each category of benefits for the following year. Rate calculators to assist in determining contribution amounts, defined compensation, and total compensation, as well as other helpful information can be found by [clicking here](#) or going to employerlink.porticobenefits.org

7. PAID TIME OFF (VACATION, HOLIDAYS, & SICK LEAVE)

Policies for paid time off should be outlined in the congregation's handbook for all employees including the pastor. If your congregation does not have an employee handbook you can contact the synod staff at the beginning of this workbook for assistance.

A paid vacation of at least four weeks, including four Sundays, should be granted to the pastor and the cost of pulpit supply for these absences shall be borne by the congregation. Time spent in outdoor ministries or retreats with congregational youth, adults, or family groups should not be considered as vacation time when it is part of the church program or a job-related activity. Congregations may wish to provide an additional 2 Sundays per year in order to allow pastors the opportunity to take a "3 day weekend." Vacation time should be granted in a lump sum at the beginning of each fiscal year and may carry over from year to year up to a maximum of four weeks total.

When a Federal Holiday falls on a pastor's regular day off, the pastor, in consultation with the Congregation Council, shall schedule additional time off during that pay period. This is often referred to as "comp time."

It is the responsibility of the congregation or specialized ministry to develop a sick leave policy. A suggested standard for all employees, including pastors, is to provide one (1) day of paid sick leave for each calendar month worked. Employees may be permitted to carry over sick leave up to a maximum of twenty-four (24) days.

8. DISABILITY LEAVE

In order to avoid awkward and hardship situations, both for pastors and their families, and for the ministry of the congregation, it is recommended that each congregation develop an explicit written policy relating to disability. In case of disability, it is expected that the congregation will continue to pay full salary, housing and benefits contributions for the first 60 days of disability, until the disability benefits of the Portico Benefit Services Plan go into effect. Any period of disability (beginning date, length, and return to active duty) should be based on a physician's recommendation. Ministries may wish to consult with an insurance company to arrange coverage for the first 60 days at a minimal annual cost rather than being faced with major expenses should disability occur.

All Portico Benefit Services plans coordinate with the benefits of Social Security or other governmental benefits. Disability benefits for pastors who have chosen to opt out of Social Security would be reduced by the amount of benefits Social Security would have paid. During the first two months of a disability, the congregation provides full compensation. Beginning with the third month, a member of the Portico Benefits Plan is entitled to receive a monthly benefit equal to 66% of the member's defined compensation, minus any social security benefits to which the member may be entitled, and minus any other governmental disability program benefits payable to the member based on the disability. In general, the monthly benefits continue until the member recovers from the disability. However, if the member has not recovered by his or her 65th birthday, the monthly benefits will stop and pension benefits will begin.

During the first 2 months of disability, the congregation is responsible for continuing to pay the monthly contribution to the Medical and Dental Benefits Plan and the Survivor Benefits Plan. If coverage has been continued during the first 2 months, then thereafter the Disability Benefits Plan will pay the cost of continued coverage under the Medical and Dental Benefits and Survivor Benefits Plans.

9. FAMILY LEAVE

It is the responsibility of the congregation or specialized ministry to develop a family leave policy. Caring for children and parents is a high priority. Paid leave of twelve weeks is recommended when a child is born or placed in the home for adoption. A paid leave of twelve weeks is recommended to care for an immediate family member with a serious health condition. Upon a death within the pastor's family, a paid leave of up to 3 weeks is recommended. When the specified leave period is exhausted, an unpaid leave of absence may be granted.

10. CONTINUING EDUCATION

A minimum of 50 contact hours per year of continuing education is required of every pastor of the ELCA. This time should be considered as necessary for improving and building ministry – it is not vacation time.

Two weeks of continuing education time should be provided for pastors for updating skills and for professional growth, in order to strengthen their ministries. In addition, the ministry should budget at least \$1,000 per year to provide part of the cost for tuition, travel, and books. The pastor is expected to contribute at least \$200 annually for continuing education.

A contact hour is defined as a typical 50-minute classroom instructional session or the equivalent. Continuing education may be courses, seminary classes, workshops, or independent study (when directed toward a specific goal). Each year the pastor's continuing education plan should be developed in consultation with the Congregation Council or appropriate ministry team. It is expected that every pastor will have a completed Continuing Education Covenant with the congregation. If you need assistance in developing a Covenant, contact the Office of the Bishop. During the pastor's absence for continuing education, the congregation continues to pay salary and allowances, and is responsible for pulpit supply and other regular expenses for pastor services.

11. FIRST CALL THEOLOGICAL EDUCATION (FCTE)

New seminary graduates are required to participate in First Call Theological Education, which means they must take an additional 50 continuing education hours per year for the first three years of their ministry. The congregation that calls a new graduate will submit \$1200 annually to the Office of the Bishop for the cost of the program, as well as grant the pastor the time for the two FCTE events each year. In addition, the congregation is expected to provide \$500 for travel expenses for events occurring within Region2 FCTE.

12. SABBATICAL LEAVE

From time to time, a pastor may desire an extended period for in-depth study or personal growth. The following guidelines are suggested to assist pastors and ministries in the consideration of sabbatical leaves:

- Pastors and ministries contemplating sabbatical leaves should consult with the Bishop or an Assistant to the Bishop early in the process.
- Sabbatical leaves are intended for in-depth study or personal growth related to the regular call of the pastor, and should include time for personal and familial reflection. Sabbatical leaves will normally be for a period of not less than three months and not more than twelve months.
- Pastors who have a minimum of seven years of active service, and who have served their current call or appointment for five or more years, may present proposals for sabbatical leaves.
- A proposal should include:
 - a. A rationale for the sabbatical, including personal goals and potential value for the ministry.
 - b. A detailed outline of the intended courses of study and use of time.
 - c. An outline of the financial implications of the sabbatical.
 - d. An indication of the use of vacation time during the sabbatical. At least one-half of the period normally granted as annual vacation leave shall be so designated in sabbatical

leaves of 3-6 months. Sabbatical leaves of 7-12 months should include the entire annual vacation.

- Realizing that the congregation will be without the services of its pastor during the sabbatical, the pastor should seek the counsel and consent of the Office of the Bishop before finalizing the agreement. In addition, the Office of the Bishop may be a valuable resource in identifying available pastors to provide pastoral services during the time of the sabbatical.
- Proposals for sabbatical leaves should be presented to the Congregation Council or other governing body not less than six months prior to the beginning of the leave. Careful consideration should be given to all aspects of the proposal and implications for the ministry and the pastor.
- Normally, the financial considerations for the sabbatical should be negotiated by the pastor and the ministry. It is suggested, however, that salary, housing allowance and the ELCA Pension and Other Benefits Plan be maintained at the current level, with the pastor assuming responsibility for all other expenses.
- When a sabbatical leave is granted, the pastor should normally agree to serve the ministry for a minimum of two years following the completion of the leave. Within six weeks of the completion of the sabbatical leave, the pastor should present to the ministry and the Office of the Bishop a detailed reflection on the experiences of the leave.

13. AUTOMOBILE EXPENSE

Since the cost of operating an automobile or other vehicle car on ministry business is a business expense, and a vehicle is required by the ministry for the performance of the pastor's duties, the ministry should be responsible for the full cost. It is important to understand that the cost of operating an automobile is not compensation; it is merely reimbursement for the expenses of doing the ministry of the congregation or specialized ministry. The automobile reimbursement is an administrative expense of the ministry.

The most effective way for a ministry to provide for the full cost of travel is for the ministry to lease or purchase an automobile for the pastor's use. The ministry then provides for the upkeep of the auto, including gas, repairs and maintenance, and the pastor uses the auto exclusively for ministry business. However, that arrangement may not be possible for many congregations or specialized ministries.

Alternatively, the ministry provides a reimbursement for the full cost of using a pastor's personal automobile. Too often, the reimbursement received is insufficient to cover the full costs of driving a personal automobile. Those unreimbursed costs become an added financial burden for pastors and may mean increased income taxes for the pastor.

The preferred manner of automobile expense reimbursement involves the ministry reimbursing the pastor for actual business miles traveled at a specified rate per mile, based upon the current IRS automobile mileage allowance (www.irs.gov; search for "mileage rates"). For this reimbursement not to be considered as income, a record of mileage driven must be submitted for reimbursement.

Another method requires that the pastor keep a detailed record of all costs associated with a personal car used for ministry business (including insurance and depreciation). The ministry can then reimburse these costs based on the mileage driven in the course of the pastor's duties.

14. PERIODICALS, BOOKS AND PUBLICATIONS

Expenses for periodicals, books and publications, which strengthen a pastor's ministry, should be shared by the congregation or specialized ministry. It is recommended that a minimum of \$250 be provided annually.

15. PROFESSIONAL EXPENSES

The congregation or specialized ministry should provide for professional expenses incurred in the performance of the duties of the pastor. These expenses may be incidentals incurred in the course of public ministry or pastoral care. They may also be expenses related to professional events such as the Professional Leaders Conference or continuing education. It is recommended that a minimum of \$200 be provided for such expenses. The Sierra Pacific Synod also recommends that \$1000 be allocated specifically for the Professional Leaders Conference each year.

The congregation should pay all expenses incurred by the pastor for attending required meetings such as Synod Assembly and other related events, such as the Professional Leaders Conference. It is recommended that a minimum of \$200 be provided in addition to these expenses.