2017 COMPENSATION GUIDELINES FOR CLERGY (Word and Sacrament Ministry)

Southwestern Washington Synod
Evangelical Lutheran Church in America

Find this document on the synod website
The Role of God’s Call in Compensation

Rostered leaders of the ELCA (ordained pastors, Associates in Ministry, Diaconal Ministers and Deaconesses) and lay professionals are called by God and a congregation to make known God’s love and salvation through Jesus Christ. They have been set apart to use their Gifts and talents to make Christ known with and for their congregation.

Every congregation wants to compensate their leader(s) appropriately and fairly. All congregations are concerned about fair compensation for their pastor and other rostered leaders. How much should we pay? What are other congregations doing? These minimum guidelines are proposed as a means for congregations to begin to deal with these concerns and begin the conversations. The compensation guidelines for associates in ministry, deaconesses, and diaconal ministers are similar to the compensation guidelines for pastors. There is little difference in methods of determining compensation for ordained persons and rostered lay leaders.

The same considerations are important - salary, benefits, and reimbursements. Congregations, pastors, and other rostered leaders are urged to participate in the process of compensation determination in a spirit of cooperation. Often, the staff member sees the amount of dollars on the paycheck as total compensation. Congregations sometimes look at the bottom line of what it costs to maintain a staff member and view that as the staff member’s income. Neither position is accurate. As faith communities, we understand that this conversation is about more than dollars and cents, the fiscal bottom line. We recognize that a call is more than the amount of money earned, or the hours worked, and trust that all of us are called to faithful stewardship. We also recognize that there is often tension between the salary expectations as outlined in guidelines and the budgets of congregations. That is why it is crucial for pastors and other rostered leaders to work together with their congregations, to balance the need for just and fair compensation, providing a livable wage that recognizes the many demands on rostered leaders, as well as the realities and constraints of congregational budgets. While the challenges for both rostered leaders and congregations continue in this changing era and economic situation, we are confident that we can work together to do the ministry to which we are all called. For this reason we urge congregations to study these guidelines closely and take them into consideration as decisions are made regarding the salaries of pastors and rostered leaders.

Therefore, when discerning compensation for your leader, here are some points for your reflection and consideration:

First, please pray for your leader and, when appropriate, your leader with family. While you have called a leader into the service of the church, if the leader has a family, they also receive the benefits of the call package.

The, you may choose to discuss: A) in our church, is salary offered gratefully?, B) Is the salary fair, C) What sort of ministry can our congregation afford now and into the future? D) How do we take into consideration the ongoing health of the leader and his/her family? E) Your leader’s education and training may have required high education debt. For example, ELCA ordained pastors generally have a degree from a four-year college or university and have gone to a seminary for an additional four or more years, depending on their training program. About two-thirds of recent Lutheran Seminary students graduate with a median indebtedness of more than $46,000. Your experienced leader may have also gained other graduate credits and certifications through different educational programs and counseling degrees.

Now there are varieties of gifts, but the same Spirit; and there are varieties of services, but the same Lord; and there are varieties of activities, but it is the same God who activates all of them in everyone. 1 Corinthians 12:4
2016 Cost of Living Adjustments (COLA) and Years of Experience

Our Synod Council bases the annual cost of living increase for our Clergy and AIM Compensation Guidelines on the previous year’s U.S. Federal Congress Cost of Living Adjustment (COLA) recommendation. This is due to the fact that the current years’ rates are usually decided too late for most congregations’ budget planning.

The 2016 Cost of Living Adjustment was 0%; therefore, our Synod Council has set the 2017 Rostered Compensation Guidelines for the Southwestern Washington Synod at a 0.0% increase. The Synod Council urges congregations who do not have their rostered leaders at guidelines or above, to bring their rostered leaders up to guidelines for their current years of experience.

Each year, your pastor adds another year of experience, which means that there will be an increase in their defined compensation for 2017 as they move up to the next year of experience on the scale. Congregations are always encouraged to consider an additional merit increase as they see fit. Congregations may also include level of responsibility, education and expertise, Initiative and merit, growth and leadership and fairness and equity in addition to these minimum guidelines:


In 2016, guidelines were adjusted in small ways for the salary without a parsonage to be sure of the social security fairness assigned by the ELCA of 30% of Defined Compensation to determine annual monetary benefit of living in a parsonage. Over the years, the math updates each year have reduced this amount by a percentage point or so and this year they are brought back into equal compensation.

By pooling health plan dollars, we support one another in ministry.

Our church-sponsored plan is self-insured. That means that sponsoring organizations pool resources to pay for health care our leaders and their families need. Whether life-saving surgery or a check-up, we pay the bill together. We are blessed to be cared for by this community. We know that 40% of all pastoral calls happen across state border lines, so in order to make things fair for all of pastors, we have equal benefits for all plan members. The easy-to-use Portico benefits calculator can be found https://employerlink.porticobenefits.org/Home/Resources/Calculators.aspx.

Due to higher than expected health claims incurred by plan members and their family members over the past few years, as well as expected increases in future health care costs, the 2016 ELCA-Primary health contribution rate will increase again.

Importantly, this rate increase preserves the fundamental cost-sharing design of the health plan. For the Gold+ option, that means 80% is paid by the plan through sponsor contributions, and 20% is paid by the plan member through out-of-pocket costs of the deductible.

Like last year, Portico will apply the 2017 rate based on defined compensation, a member's age, and employer's geographic location. These practices help spread costs among organizations of greater and lesser means, and support a diverse population of rostered leaders and other church employees.
Unlike the health care exchanges, which can charge a 64-year-old person up to three times more than a 20-year-old for the same health plan (3:1 age ratio), Portico will again limit the range between its highest and lowest contribution rates to a 2:1 age ratio.

Portico Benefits is 35,000 ELCA health plan members strong. One benefit solution coast to coast allows us to combine our collective buying power and allows sponsors to focus on ministry, not negotiate benefits. With 40% of calls crossing state lines, consistent benefits allow spiritual discernment to guide the call process rather than benefit considerations.

We all know that healthy, resilient leaders shape healthy ministries. It’s why we say, "Live well ... healthy leaders enhance lives." Because many plan members stay in our health plan for life, we can afford to invest in wellness benefits considered "extras" in commercial plans.

Portico plan members taking the health assessment will qualify for health care reimbursements of $150 just for taking the assessment, plus more if they participate in the related health activities.

**ELCA-Primary Health Benefit Changes for 2017**

As the church prepares to kick off a new year of ministry, Portico offers the following benefit news to help members and sponsoring organizations complete our required Annual Enrollment process again this fall, and plan for next year.

- **As the next step in the ELCA wellness reformation, Portico is introducing a new way to deliver health benefits in 2017.** We believe our new approach will help plan members navigate the complicated health care landscape and limit the growth of health care cost increases.

- **New for 2017, ELCA-Primary health plan members will have access to Portico Care Coordinators by Quantum Health,** a team of nurses and benefit specialists who can help plan members use their benefits with an eye to both quality and cost.

- **Baseline health contributions will increase by 5% for 2017,** our lowest increase in four years, as a result of:
  - Anticipated savings from our new approach to delivering health benefits
  - A renegotiated contract with Express Scripts, our prescription drug administrator
  - The decision to build the 1% discount tied to health assessment participation directly into the rate, given that all eligible employers earned the discount in 2015 and 2016

  **Note:** Contributions also increase by about 2% each year as plan members age. They also increase if a member’s defined compensation increases.

- **To support this new approach, Portico will transfer the medical and mental health claims administrator role** to Blue Cross and Blue Shield of Minnesota’s wholly-owned third-party administrator, BlueLink TPA. BlueLink will process claims and continue to offer the same Blue Cross preferred provider (PPO) network — no need for plan members to change doctors. Likewise, plan
member deductibles, out-of-pocket levels, and the opportunity to earn $400 wellness dollars won’t change.

- **Disability contributions will decrease from 3.5% to 3.0% of defined compensation.** Rates for basic group life insurance, retiree support, and minimum required retirement contributions will remain the same.

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<td>This report shows the ELCA benefits your organization currently purchases, and estimates its costs for 2017. Portico has designed this to be your organization’s go-to resource to guide benefit decisions during the required 2017 Annual Enrollment process. Ask your organization’s registered EmployerLink user to sign in to EmployerLink.PorticoBenefits.org and access your organization’s report.</td>
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**Facts of Life**

In considering compensation, a congregation is likely to discuss such issues as the following: "What we can afford," anticipated income, and multiple demands on income. It is also important to discuss what might be a just and fair salary. This can be based on salaries of those in the community with comparable education, experience, and responsibilities. That is the basis of the compensation guideline chart.

For many rostered professionals, the debt service on their University and Seminary education loans is too great to allow them to take a call from a congregation that cannot offer competitive compensation. As pastors progress through their call, a pattern of low compensation also results in a pension income in retirement which may not be livable income. Therefore, if a person is paid a "below average" salary, they will receive a "below average" pension payment.

Some congregations offer only cost of living increases to the original (letter of call) salary, despite the fact that the leader is gaining in experience and judgment at the same time. Fairness to the professional rostered leader should be balanced with the congregation’s financial resources and other spending needs. When that situation exists, the list of the plans for the next year should start with the plan for increased outreach and focus on stewardship among our members. Each year we are reminded that congregations in our Synod that are static do not survive. Another common statement is, "We're just a small congregation." The implication is that there is not as much work required of those professional leaders as there is in a larger congregation. While on the surface this may seem to be true, the reality is that professionals in a small congregation become “do it all” people and ought to be compensated the same as those in larger congregations with two pastors and two or three lay professionals to share the work load. The congregation which identifies itself a “just a small congregation” should never use that for an excuse to be less than faithful in discipleship. It should be asking itself, “Why are we small?” “How is our size helping or hindering our ministry?” “What can we do about it?” Again, we encourage a process of determining fair compensation that is developed out of a mutual trust between the professional rostered leaders and the congregation. This process should include the opportunity to share mutual concerns and expectations relating to compensation which can be discussed with understanding and confidence. It is good for congregational leaders to set an example of generosity and fairness if we expect to see the same kind of response from the congregation. Fair and just salaries for professional leaders and all staff are one way to set that example.
Mutual Ministry—More than a Once-A-Year Conversation

The Southwestern Washington Synod encourages congregations to form a Mutual Ministry Committee for each member of its Rostered leadership. The function of the Mutual Ministry Committee is to provide a space for conversation between pastoral and congregational leaders in order to grow together in ministry.

The functions of a Mutual Ministry Committee fall into four areas:

1. Identifying professional leadership needs for the congregation, preparing job descriptions, assisting the call or interview committee at the time when a congregation seeks to call a pastor, or as the exit interview group when a pastor leaves. They may also serve as the personnel committee, dealing with other staff, such as the secretary, organist, choir director, or custodian.

2. Identifying continuing education possibilities with the pastor in light of his/her and the congregation’s needs, encourage developing a Continuing Education Covenant between pastor, church council, and the synod. Enabling the pastor to participate in such opportunities.

3. Providing on-going reflection on the needs and expectations of both pastor and congregation, guided by the mission statement of the congregation, and periodically reviewing the call/contract/appointment extended to the pastor, as provided for in the Letter of Call.

4. Serving as the personal and confidential support group to the pastor, and spouse, providing opportunities for open communication between congregation and pastor, initiating possibilities for reconciliation in times of conflict.

5. The synod office suggests a Mutual Ministry resource, “Pastor and People, Making Mutual Ministry Work,” which can be ordered at www.augsburgfortress.org.

A Mutual Ministry Committee may be composed of six members, three to be appointed each year for a term of two years. This committee shall be appointed jointly by the council president and pastor (or senior pastor). Committee members will hold no other office in the congregation during their term.
Definition of Compensation for the Pastor

An online form is available to use on the synod website—it can only be printed, never saved.

A. Clergy Compensation
The total of section A is the “Defined Compensation”- salary+ housing+ Social Security: lines 1, 2, 3 or lines 1, 3, 4:
1. Base Salary $_________
2. Housing Allowance (if provided) $_________
3. Self-employed Social Security payment allowance $_________
4. If Parsonage, then compute the following:
   Utilities allowed $_________
   Furnishings allowance $_________
   Housing equity allowance $_________

B. Pension and Other Benefits
The congregation will sponsor the rostered lay person in the Pension and Other Benefits Program of the Evangelical Lutheran Church in America, which provides retirement, disability, survivor and medical-dental coverage. (Sponsorship will include medical-dental coverage for the individuals’ spouse and children unless they have other employer-provided group medical insurance coverage and the individual consents to waiving medical-dental coverage for them under the ELCA Pension and other Benefits Program.)
   1. ELCA pension at _________% of Defined Compensation $_________
   2. ELCA Medical/Dental Insurance
      __ a. Member only __ b. Member, Spouse or same gender partner __ c. Member and Children
      __ d. Member, spouse or same gender partner and children __ e. Coverage waived
   3. Other insurance or benefits: ___________________________________________________________________ $_________

C. Expenses
The congregation will provide for the following expenses related to this position: $_________
1. Automobile and travel allowance $_________
2. Other professional expenses $_________
3. Expenses for official meetings of the synod, as reimburse $_________
4. Continuing Education (minimum $700 from calling source) $_________
5. Other ______________________________________________________________________________________ $_________
6. Pay the moving expenses to this field of service as follows ______________________________________________________________________________________

D. Agreement
1. Annual Vacation _____ days per year. including _____ Sundays
2. Continuing Education time of _____ weeks per year.
3. Participation in a First-Call Theological Education program
4. Ongoing care through a Mutual Ministry Committee.
5. Up to two months of continued salary, housing and contributions to the ELCA Portico and other benefits program in a 12-month period in the event that the pastor is physically or mentally disabled.
6. Parental Leave of ___ weeks with full salary, housing and benefits.
7. Sabbatical of ____ weeks every _____ years of full-time service.

E. Administrative Costs
1. Worker’s Compensation for clergy employee $_____
2. Pulpit Supply $_____

2017 Southwestern Washington Synod Clergy Compensation Guidelines 7
A. Salary and Housing Allowance for Clergy

The 2017 guidelines for clergy compensation below reflect a 0% Cost of Living Adjustment (COLA)\(^1\) over the 2016 guidelines. The Synod’s Compensation Guidelines apply to all rostered professional leaders which include lead pastors, co-pastors, associate pastors, interim pastors under call or contracted. There is another document for Associates in Ministry.

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The figures above are minimum guidelines and are not to be used as ceilings. They reflect the minimum level of compensation recognized by the Southwestern Washington Synod as fair compensation for clergy serving in full–time positions.

The figures above do not take into account merit raises, which go beyond the Cost of Living and minimum year–to–year incremental increase based on years of experience. The synod recommends consultation with your Staff Support Committee or Mutual Ministry Committee to determine an appropriate merit increase.

Five Things to Know about the Clergy Housing Allowance from the IRS:
1. Clergy need to determine the cost of maintaining one residence for the upcoming calendar year or for the remainder of the year if a call commences during a year. The housing allowance amount is the lesser of:
   a. Amounts actually paid for housing and related expenses.
   b. The fair rental value of the home.
   c. The amount actually paid or declared by the congregation as the housing allowance.
2. The clergy housing allowance amount must be requested in writing and approved by official action by the congregation council or the finance committee. A record of the action to approve should be in writing.
3. The housing allowance is not subject to federal income tax, but it is subject to self-employment tax. On the W-2, it is not reported in Box 1. It is typically reported as an information item in Box 14.

4. A housing allowance operates prospectively; in other words, it is declared ahead of when the expenditures are made. It can be modified if significant expenses not anticipated earlier are identified, but the allowance must always be changed ahead of the expenditures.

5. Clergy need to maintain records of their costs, including receipts, in order to document the housing expenses in the event of an IRS audit.

Enter your pastor’s salary based on years of experience Section A, line 1 and the Housing Allowance on Section A, line 2 of the Definition of Compensation for Clergy form. Please see the suggestion on Maximize Housing Allowance on page 18.

1 The annual Federal COLA for the year 2015 was 1.7% (October 2014). Source: US Federal Congress Budget Office.

Housing Equity for Clergy Living in a Cong. Provided Parsonage

When a congregation or church agency provides a parsonage, the congregation or agency should assume all costs for maintenance, utilities and applicable taxes on that property. When the pastor has to live in a congregation owned parsonage, he/she has no opportunity or option to own a home and therefore to build equity for retirement housing. The synod urges congregations that provide a parsonage to establish a Housing Equity Fund on behalf of its pastor that lives in the parsonage.

The Southwestern Washington Synod suggests a minimum annual contribution of $750 into a Housing Equity Fund. The ELCA Portico Benefits Services provides an Optional Pension account for such contributions that has unique tax advantages, though other investment vehicles may be used. A significantly larger tax-free contribution can be made annually into such a fund. Housing Equity contributions are not considered part of “Defined Compensation” and therefore do not increase the cost of benefits.

To determine the maximum annual housing equity contribution, contact Portico Benefits Services.

Self-Employed Social Security Allowance

The IRS has ruled that clergy are self-employed for purposes of paying social security taxes. This means that they must pay both the employee and the employer share of social security tax under the Self-Employed Contribution Act (SECA).

Congregations are prohibited from paying social security tax for clergy. Congregations can, however, include an allowance for their pastor, which offsets their social security burden.

It is the synod’s expectation that every congregation assume at least 50% of its pastor’s Social Security burden by providing a Social Security Allowance to him or her. This is 7.65% of the pastor’s cash salary and housing, regardless of whether the housing is provided in the form of a housing allowance or in the form of a parsonage with utilities and taxes paid by the church. The Social Security allowance is considered taxable salary when reporting income to the IRS on W-2 or 1099-MISC forms and is also considered part of “Defined Compensation” when computing payments to ELCA Portico Benefits.

If a pastor resides in a church parsonage, the annual monetary value of that benefit (fair rental value, plus all utilities, maintenance, and applicable taxes) is considered “taxable” for purposes of computing social security tax.
(SECA) contributions. The ELCA assigns a figure of 30% of “Defined Compensation” (Defined Compensation = salary + house and/or furnishings allowance + SECA allowance) to determine the annual monetary benefit of living in a parsonage. Since the guideline figures in this document already reflect a 30% reduction in base salary for clergy living in a church parsonage, there is no difference in the Social Security Allowance for pastors with the same years of experience whether they receive a housing allowance or live in a church owned parsonage (see table below).

### Social Security Allowance for pastors based on synod guidelines

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Enter your pastor’s Social Security Allowance figure on Section A, line 3 of the Definition of Compensation form.

### B. Benefits

Portico has an easy online Calculator in order to figure out your 2016 benefit costs at [https://employerlink.porticobenefits.org/Home/Resources/Calculators.aspx](https://employerlink.porticobenefits.org/Home/Resources/Calculators.aspx) Enter Southwestern Washington Synod and whichever metal level of coverage your congregation and rostered leader have selected for 2016.

**Medical/Dental, Disability, Life and Retiree Support Benefits Coverage**

Rising health care costs across the country continue to drive up the amount of money the ELCA faith community spends on medical services, prescriptions drugs, and other care. To help ensure that the self-insured ELCA Health Plan can pay for the care that members are likely to need next year, monthly amounts contributed by sponsoring employers and out-of-pocket costs paid by members will increase in 2016.

As a ministry of the ELCA, Portico is responsible for analyzing past claims Contribution amounts will also be adjusted due to changes in age and defined compensation.

Today, 9 out of 10 sponsoring employers provide the ELCA-Primary Gold+ health benefit option. To cover projected health care costs, the monthly contribution for the Gold+ option will increase by 5% in 2017. The other options will increase as well: Platinum+ by 7%, Silver+ by 10-% and Bronze+ by 14%. Annually, contributions are also adjusted due to changes in member age (about 2%) and defined compensation.
Portico works hard to steward individual health and shared plan dollars and has held rate increases below the average increases seen by US employers over the past 10 years, with ELCA health contributions rising 35% less than the national average since 2006.

Having all congregations choose the Gold + health plan option will both continue to care for the health of all who serve under call or terms of employment and eliminate many of the variables facing congregations and rostered leaders and lay church workers in the midst of change.

The congregation/agency is responsible for paying a set percentage of the “Defined Compensation” to the ELCA Portico Benefits Services for medical, dental, disability, retiree support and life insurance benefits. The actual total of the percentage contribution rates will vary according to the number of family members covered under the plan, the member’s age, along with defined compensation and the sponsoring employer’s geographic location. It also depends on the level of health care coverage that the congregation and plan member selected in Fall 2016 for 2017. This selection is done by both parties every year. If the plan member selects a higher level of health care coverage than the congregation/employer did for the same contract year, then the congregation may decide to pay this amount for the employee. Otherwise, the plan member would pay the difference.

**Online Calculator for Portico Benefits**

Portico Benefits has a simple online calculator that you can use to figure out the costs of health care and all other benefits that can be found at [https://employerlink.porticobenefits.org/Home/Resources/Calculators.aspx](https://employerlink.porticobenefits.org/Home/Resources/Calculators.aspx). You do not need to be signed in to EmployerLink in order to use this. If you want to review the website in detail, go to [www.PorticoBenefits.org](http://www.PorticoBenefits.org) and click on the drop-down menu “Our Websites” at the top of the page, then click on “EmployerLink”. Then you can click on “Resources” in the dark gray area, and go to Calculators under “Budgeting for Benefits”. “EmployerLink” is for information for the employer, or “myPortico” has information for individual plan members. You may also speak to a Portico Representative by calling **1-800-352-2876** for help with general or specific questions. You will need your congregation ID in order to speak with someone. If you can’t locate this, call the Synod Office at 253-535-8300.

*Enter your congregation’s or agency’s pension contribution for its Pastor in Section B, line 1 of the Definition of Compensation Form.*

**Included benefits that help you manage your health care costs:**

1. **Health Flexible Spending Account (FSA) and Health Savings Account (HSA)**- Included in the Portico Benefits medical insurance plans, are tax-advantaged accounts where the plan members make pretax contributions from their paycheck for eligible health care expenses. HAS are only available if the plan member has a legally defined high deductible on their medical insurance.
2. **Wellness Dollars**- Plan Members may take a Health Assessment beginning in January 2017 and if they follow the plan steps to better their health, they will earn wellness dollars- a financial incentive for completing wellness activities.
3. **Fitness Center Discount**- Administered by Blue Cross and Blue Shield. $20 discount 9$40 max per household) for visiting a participating location at least eight days per month.
4. **Hearing Discount**- Administered by HearPO. Discounts on diagnostic tests, hearing aids and batteries.
Retiree Support
Retiree Support contribution helps to provide health coverage during retirement for members who served one of the ELCA predecessor church bodies, 0.7% of Defined Compensation of all active clergy. Enter the Retiree Support Contribution in Section B, line 3 of the Definition of Compensation Form.

Life Insurance Benefit
The cost of the basic life insurance coverage decreased this year to 0.3% of the clergy’s defined salary. This decrease is due to the strong financial position of the survivor benefits plan. Enter the Life Insurance Contribution in Section B, line 3 of the Definition of Compensation Form.

Disability
Disability contributions will increase this year from 2.5% to 3.5% of Defined Compensation. This increase enables the disability plan to pay for the projected health care that members receiving disability benefits will need in 2016. Enter the Disability Contribution in Section B, line 3 of the Definition of Compensation Form.

Supplemental Life Insurance
The supplemental life insurance policy rate varies by age, so be sure to use the Portico Benefits calculator on their website for this rate. Enter the Supplemental Life Insurance Contribution in Section B, line 3 of the Clergy Compensation Worksheet.

Pension
Regular pension contributions to the ELCA Portico Benefits Services are computed on the basis of age. Use the online calculator to calculate the payments are calculated as a percentage of “Defined Compensation” which is the sum of salary, housing, and social security allowance. If a parsonage is provided, “Defined Compensation” is the sum of cash salary and social security allowance multiplied by 1.3. Use the appropriate table below to calculate pension contributions.

2017 Pension Contribution Rates for Clergy Enrolled In a Predecessor Church Pension Plan before 1988.

<table>
<thead>
<tr>
<th>Age</th>
<th>Pension Contribution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 61</td>
<td>10.0%</td>
</tr>
<tr>
<td>62-70</td>
<td>11.0%</td>
</tr>
<tr>
<td>71+</td>
<td>12.0%</td>
</tr>
</tbody>
</table>

If service in the church began in 1988 or later, the required pension contribution is 10% of "Defined Compensation" regardless of age. Enter your congregation or agency’s pension contribution for its clergy in Section B, line 1 of the Clergy Compensation Worksheet.
C. Expenses

Auto Expense Reimbursement/Auto Allowance

Auto expense and other work related travel are a business expense for the congregation and are not part of a church professional’s salary or benefits. An appropriate place for this line item in the church budget is under church operating expenses.

Auto reimbursement plans or auto allowances should be sufficient to cover all congregation-related expenses including cost of fuel, repairs, insurance, tolls, parking, and depreciation. The IRS is increasingly requiring accurate records (including odometer readings, mileage, date and time, etc.) to support auto expenses claimed as congregation-related travel. A paper spreadsheet, or even a phone app, like MileBug, can be used to track mileage. Expenses for automobiles may be handled in one of the three following ways.

1) Congregations can purchase or lease a car and assume the total automobile expense. The pastor, in order to comply with tax regulations, is required to report and to reimburse the congregation for personal use of the vehicle.

2) The congregation can reimburse the congregation professional for actual miles driven at a specific rate per mile. It is appropriate to use the IRS standard mileage rate for operating an auto for business. The pastor submits a monthly log and reimbursement is based on the actual miles driven for congregation business. An annual budget figure for this type of reimbursement program is usually based on a review of the work-related miles driven by a congregation professional in the previous year. The actual annual pay-out may be more or less based on the actual requirements for travel in each year.

3) The congregation can pay a pre-determined dollar amount on a monthly basis in the form of an auto allowance. An auto allowance is considered taxable income and it should appear as part of wages on either W-2 or 1099-MISC Forms. In order to deduct some or all of congregation-related auto expenses under an allowance arrangement, pastors who file their federal tax returns as employees must itemize their return and file form 2106 for Employee Business Expenses. Clergy filing under self-employed status can deduct some of their auto expenses using Schedule C and Form 4562 (Depreciation & Amortization).

Check the type of Auto Expense Reimbursement/Auto Allowance plan your congregation will provide its clergy and enter the amount of money required to fund that auto expense or allowance plan Section C, line #1 under the Expenses Section of the Clergy Compensation Worksheet.

Continuing Education

Congregations should expect pastors to be involved in continuing professional and theological education programs which provide opportunities for personal development, enrichment of devotional life, and growth in pastoral effectiveness and competency. The purpose of continuing education is “professional growth” and “self renewal” as distinguished from program development, vacation, or synod and regional pastoral leadership retreats.

Pastors should be granted at least two (2) weeks study leave per year and a minimum of $700 per year for continuing education expenses, both cumulative up to three (3) years*. 
Accumulating accounts may be established and managed through the Region I Financial Services Office. It is an option for pastors to contribute an additional $350 each year to their continuing education through a salary reduction plan.

* We urge all congregations to establish the following policy about accumulated continuing education time for when a pastor resigns:

A pastor may take only as many days of accumulated continuing education time as he or she has used in the previous eleven (11) months when those days will be used after the date of the announcement of his or her resignation or termination of call.

Enter your congregation’s or agency’s annual Continuing Education contribution for its clergy in Section C, line 4 of the Clergy Compensation Worksheet. Also enter the number of weeks of continuing education granted each year and for how many years’ continuing education weeks may be accumulated in Section D, line 2. The Southwestern Washington Synod recommends a minimum of $700 annually, two (2) weeks/year, and a three (3) year maximum accumulation.

Sabbatical Leave
The congregation and its pastor(s) are encouraged to plan together for a time when the pastor can take a sabbatical leave of three (3) months for personal growth and reflection in the fifth year of his or her service in the congregation and every fifth year after that. This will an on-going part of the Rostered leader’s compensation package. Rostered leaders include pastors, Associates in Ministry and Deaconesses/Deacons. Sabbatical planning resources are available through the Southwestern Washington Synod Office.

D. Agreement
Annual Vacation
Pastors are “on call” day and night, carrying heavy responsibilities daily, are separated from family and relatives for great lengths of time, must regularly produce fresh material for the spiritual growth of parishioners, and are seldom able to take advantage of three (3) day weekends and other holidays. Therefore, vacation time is a necessary priority for pastors. It is the Southwestern Washington Synod’s policy that all pastors receive a minimum of four (4) weeks annual paid vacation, including four (4) Sundays*. Keep in mind that part-time clergy cannot be given a straight percentage of vacation time. For instance, if you gave a half-time pastor half of the full vacation leave, the part-time pastor would end up working more Sundays than a full-time pastor, so please keep the 4 Sundays for all rostered clergy. (see Payment for Supply Clergy below)

* Unused Vacation Time. In the absence of any other officially recognized agreement or policy about the accumulation of unused vacation days, the synod recommends that congregations adopt the following ELCA Churchwide policy, as follows:

A maximum of ten (10) day’s vacation time may be “carried-over” from one year to the next. No more than ten (10) days of additional vacation time may ever be retained.
Weekly Days Off
At least one (1) full day free from professional congregational leadership responsibilities should be provided each week and, when possible, arrangements be made for having two (2) consecutive days off.

Enter the number of weeks your congregation or church agency will grant as annual paid vacation in Section D, line 1 of the Clergy Compensation Worksheet.

Parental Leave for Newborns/Sick Leave/Disability
Many Letters of Call and Letters of Appointment do not include provisions for parental and sick leave. These issues should be discussed and an official policy established by the congregation’s council.

It is recommended that maternity leave of six (6) weeks with full salary, housing, and benefits be adopted as official policy. Since paternity leaves have emerged as appropriate and beneficial to the health and well being of the family, we recommend that paternity leave be granted for at least two (2) weeks with full salary, housing, and benefits. Adoptive parent leave can also be given six weeks of paid adoptive leave with full benefits to a new mother or a new father in connection with the adoption of a child.

Pastors are eligible for sick leave for absences due to illness or injury in proportion to their average time worked. Sick leave shall normally accrue at a rate equal to one day per month, calculated at the rate of an eight-hour day.

If a pastor becomes disabled as a direct result of injury, physical or mental disorder and is therefore unable to perform the material duties of his or her occupation for the employer, the ELCA Portico Benefits Service expects the employing congregation or institution to pay full salary and benefits during the first two months of disability. Beginning with the third month of disability, Portico Benefits Services provides 66 2/3% of pre–disability pay to qualifying plan members.

Where applicable, Section D, line 6 write the number of weeks your congregation or church agency will grant as parental newborn leave with full salary, housing and benefits on the Clergy Compensation Worksheet.

E. Administrative Costs
Washington State Workers’ Compensation Plan
With the continuing uncertainty in our economic environment, the Synod recommends that congregations in the Southwestern Washington Synod adopt a policy of paying unemployment insurance and workers compensation for all eligible staff.

Payment to Supply Pastors
The 2017 synodical rate of payment to supply pastors is $175 for one worship service and $75 for each additional service/adult forum/Bible study on the same day and at the same location. Travel should also be reimbursed at the current IRS rate per mile, plus applicable parking, ferry, and road or bridge tolls. The payment of these expenses is the sole responsibility of the congregation and should be paid on the day in which a supply pastor fills the pulpit.
The Southwestern Washington Synod Office should be consulted in determining honoraria for pastors supplying in congregations where a pastoral vacancy exists.

Enter the annual amount required to pay supply pastors based on the number of your congregation’s weekend services, your church’s location, and the number of weekends you anticipate the need for supply pastors in Section E, line 2 of the Clergy Compensation Worksheet.

The following pages include suggestions for “redistributing” your compensation package in ways that may enable your pastor to take better advantage of IRS tax codes applicable to ordained clergy or in ways that may actually increase the after tax value of the compensation package to your clergy. Most of the following suggestions can also reduce the bottom line cost to the congregation.

**Compensation Package Redistribution Options**

An important element common to the suggestions below is that the congregation and its salaried pastor(s) work together to come up with alternatives to straight cash salary and housing allowance payments set forth in these guidelines. In so doing, the congregation and staff professionals can create alternatives which benefit both the employer (the congregation usually has lower total costs) and the employee (the pastor which may have greater after-tax income or a compensation package better suited to his or her long-term financial goals). The full consent of both the congregation council and the salaried pastor is an absolute prerequisite to the application of any of these suggestions. Check with your tax consultant to see which, if any, work for your situation.

**Note about a Potentially Negative Effect on Retirement Income**

Several of the following strategies have a net effect of cutting the congregation’s total compensation costs by substituting different forms of compensation in place of straight cash salary and housing allowance. Several of these strategies also have a net effect of increasing the pastors’ after-tax income by reducing the amounts that are subject to federal income taxation and social security taxation, SECA or FICA.

Be appraised, however, that with the exception of maximizing housing allowance, all of the following redistribution options also reduce the required amount that must be paid by the congregation to Portico. This includes the pension portion of those payments. These same strategies also reduce survivor benefits from the ELCA Portico Benefits Services because survivor benefits are based on a percentage of “Defined Compensation” at the time of death.

With respect to survivor benefits, congregation professionals will have to assess the risk for themselves. With respect to reduced pension contributions, the Southwestern Washington Synod strongly urges congregations using any of these strategies to restore the pension portion of payments made to the ELCA Portico Benefits Services to the full amount based on guideline figures regardless of the actual “Defined Compensation.” This is the only way to avoid what can be a dramatic reduction in the future retirement income of a congregation employee who has helped his or her congregation reduce present expenses. Again, the simplest and most equitable way of avoiding this hazard is for the congregation to calculate the pension portion of
payments made to the ELCA Portico Benefits Services based on the guideline figure, regardless of the actual cash salary, housing allowance, and social security allowance (Defined Compensation) being paid out.

**Suggestion 1- Establish a Medical Expense Reimbursement Plan**
A congregation may reimburse its church professionals for deductibles not covered by the ELCA Portico Benefits Services Medical/Dental Plan. This is an especially advantageous option for pastors who cannot participate in the Managed Health Care benefits being offered by Portico Benefits Services in larger metropolitan areas.

At the beginning of the calendar year, an account can be established with a maximum amount that will be reimbursed for medical expenses not covered by insurance. The reimbursements are tax free in all respects, should not appear on W–2 or 1099–MISC forms, and are not considered part of Defined Compensation when calculating medical/dental contributions to the ELCA Portico Benefits Services plan. Congregations offering such a program must make them available to all full–time employees and the appropriate motions must be passed by the congregation council at its first meeting after the congregation’s budget is passed. An accounting system must be established where the congregation employee submits vouchers and receipts for reimbursement. For assistance in meeting the IRS requirements for an accountable plan, contact the IRS.

**Suggestion 2- Establish a Professional Expense Reimbursement Plan**
A congregation and its pastor(s) can work together to maximize the reimbursement of professional expenses, which are typically paid out–of–pocket with after–tax wages by the pastor. These expenses can include the cost of periodicals, books, professional supplies, conferences, etc. Using methods that meet the IRS requirement for “Accountable Reimbursement” plans, a pastor can receive reimbursements which are exempt from all taxes (federal and social security) and which are not considered part of “Defined Compensation” when calculating the medical/dental contribution to the ELCA Portico Benefits Services plan. This is an especially advantageous plan for pastors who are planning an extensive study leave for which there will be expenses greater than continuing education set–aside accumulations. As with the Medical Reimbursement Plan above, appropriate motions must be passed by the congregation council at its first meeting after the congregation’s budget is passed and a system for submitting vouchers and receipts for reimbursement is established. For reference in meeting the IRS requirements for an accountable plan, contact the IRS.

**Suggestion 3 - Employer Optional Contributions to the Optional Pension Plan**
An ELCA congregation may elect to make an “Employer Optional Contribution” to the Optional Pension Plan of the ELCA Portico Benefits Services for the benefit of its pastor. The Optional Pension Plan is a 403b Tax Deferred Plan. The “rule of thumb” for a maximum annual contribution into such a plan is generally 16.66% of after–tax annual income or 20% of gross annual income, though there are a set of complex rules which may allow for an even greater one–time contribution. To request an analysis of maximum allowable 403b or TSA contribution for your pastor, write to:

Member Services Department of the ELCA  
Portico Benefits Services Office  
800 Marquette Ave. Suite 1050  
Minneapolis, MN  55402

If the “Employer Optional Contribution” to ELCA Portico Benefits Services Optional Pension Plan is made in lieu of cash salary, the contribution actually saves the church and church professional money because (1) the sum of the contributions is not considered part of “Defined Compensation” and therefore does not figure into
the cost of medical/dental insurance, disability, and survivor benefits under the ELCA Portico Benefits Services plan, and (2) the contributions are fully exempt from federal income tax and social security tax (SECA or FICA).

**Suggestion 4 - Deferred Compensation Plan**

Another option that a congregation may wish to consider with the consent of its pastor is to provide life insurance coverage and build supplementary retirement savings for him or her through deferred compensation. These programs use whole life insurance policies as investment vehicles. An attorney must be consulted in drawing up such agreements.

The cost saving advantages are the same as those listed above for Employer Optional Pension Contributions to the Portico Benefits Services Optional Pension Plan. An added advantage is that the amount that may be deferred can be in addition to contributions made into a TSA or 403b tax deferred savings program, even when the latter contributions have reached the tax free maximums established by the IRS.

**Suggestion 5 - Designate a Household Furnishings Allowance** *(for clergy living in unfurnished parsonages)*

A Household Expense and Furnishings Allowance may be designated as a portion of annual salary and may be used by a pastor for purchasing and repairing furnishings, and for certain other household maintenance expenses. To the extent that the allowance is used for household furnishings, etc., it is excluded income for federal income taxation. The designation is still considered part of the base for calculating social security payments (SECA or FICA) and is considered part of “Defined Compensation” by the ELCA Portico Benefits Services.

**Suggestion 6. Maximize Housing Allowance**

Receiving a portion of salary as a “Housing Allowance” provides the single best tax advantage offered to clergy who do not live in a church owned parsonage. Reassessing the sum of the fair rental value of a fully furnished home, all utilities, insurance costs, fees, maintenance costs, and property taxes have often increased the amount designated from the congregation for this purpose. While housing allowance is considered part of “Defined Compensation” by the ELCA Portico Benefits Services, and is part of the base for calculating social security payments (SECA), to the extent that it is used for housing expenses, it is **not** subject to federal income taxation. The clergy is responsible for proving the expense of the housing allowance amount.