Synod Compensation Guidelines-Frequently Asked Questions

What is the purpose of guidelines?
The guidelines provide a starting point for compensation for new calls. Once a rostered minister is part of a congregation, the rostered minister(s) and congregation leaders work together to develop an annual compensation package that is fair and just to the rostered minister and within the means of the congregation. Conversations may begin with the total available for compensation and benefits and work toward balancing the benefits needs of the rostered minister and amount remaining for cash salary. The *ELCA Philosophy of Benefits* linked on the synod website provides guidance on determining the level of benefits the congregation is expected to provide.

On the tables, how are the year of experience increases calculated?
The increase for a year of experience is calculated in the same manner as in prior years. For the first ten years of ministry, there is an increase of two percent of the base per year. For the second ten years of ministry, there is an increase of one and one-half percent of base per year. New this year is using the same pattern of increases for deacons.

Why is the social security allowance for pastors calculated at 8.23%?
The social security allowance has always been calculated on the total of base salary + years of experience increases + housing allowance multiplied by 7.65%. This new total becomes the gross salary which the pastor uses to calculate their self-employment tax. The amount the pastor must pay on this new gross is greater than the allowance.

Example: If a pastor's base + experience + housing totaled $100. The congregation would give the pastor an additional $7.65 for a new gross of $107.65. When the pastor uses this gross to pay the employer portion of the self-employment tax, the amount is $8.23, so the intended $100 gross salary is now only $99.42.

Using the new allowance, the self-employment tax on the $108.23 is $8.28 leaving the pastor with a gross salary of $99.95 which is closer to the intended $100 salary.

Why do the tables for pastors with a parsonage show two different columns?
Congregations must determine the value of providing a parsonage for the pastor. This value includes the mortgage or fair rental value, insurance, utilities, furnishing allowance, maintenance allowance, and any other expenses incurred by the congregation for the parsonage. This amount would be added to the base salary plus year of experience increase to determine the pastor's gross compensation for calculating the social security allowance.

The value of this benefit as a percentage of the pastor's gross compensation can vary with the pastor's level of experience. To ensure the pastor's benefits are calculated evenly across the contexts served in a career and compared to rostered ministers with a housing allowance, the column using a 30% value is provided. For benefits purposes, this is the **minimum** value that should be submitted to Portico for calculating benefits.

Why is the cash salary for a pastor with a parsonage so much less than those without?
The cash salary for a pastor with a parsonage is less because the pastor does not need cash to pay rent or loan payments on a mortgage. Here is an example: Imagine paying the pastor with a parsonage the

same cash salary as a pastor without a parsonage. In turn, the pastor would then pay the congregation rent for the use of the parsonage where the rent amount included insurance, utilities, furnishings and maintenance. By reducing the cash salary of the pastor, this step has been eliminated as an automatic deduction before pay day.

For tax purposes, a pastor's gross income whether with or without a parsonage will be very similar as the pastor without a parsonage will claim a portion of their cash salary as a housing allowance exempt from federal and state withholding. All pastors pay self-employment tax on the total of cash salary and housing amount.

How do pastors and congregations determine the housing allowance?
As in many synods across the ELCA, the guidelines recommend a housing allowance that is between 30% and 35% of the base salary. This range accounts for the differing housing costs across the territory of this synod. There are different resources online that can help you compare your zip code to other zip codes in the synod. Nerd Wallet offers a comparison of some cities in Iowa: https://www.nerdwallet.com/cost-of-living-calculator Even if houses are less expensive in your area, you should also be mindful of what is available that meets the needs of your pastor. Looking at median home prices as well as rental costs can help determine the proper housing allowance percentage.

This year the table for a pastor without a parsonage shows a range of total compensation that was calculated in the same way as it has been in the past: Base Salary + (30%)*Base Salary + .0823*(Total of Previous two Factors). Showing the salary as a lump sum helps remind the pastor and congregation to annually designate a portion of the total cash salary as housing allowance for tax purposes. It is hoped that thinking in terms of total compensation helps congregations understand the amount to budget for the rostered minister's compensation and benefits especially during a transition.

What about a rostered minister with more than 20 years of experience?
As it has always been, the guidelines do not recommend a particular increase for those rostered ministers with more than twenty years of experience. The recommendation is for the rostered minister and congregation leadership to be in conversation about the markers used for determining a salary increase for each year after twenty.

Do we have to follow the guidelines?
Congregations are encouraged to keep up with the guidelines. At the time of a new call, the bishop expects congregations to meet the guidelines as a minimum. By keeping up with the guidelines for a current rostered minister, the congregation is in the practice of budgeting an adequate amount when the time comes to call a new rostered minister.

How do our guidelines compare across the ELCA?
As you can imagine, there are variations in base salaries across the ELCA as the cost of living varies across the country. The Compensation Guidelines Task Force does look at the base salary for the synods surrounding this synod and use that as one of the factors in proposing a base salary for the coming year. For 2023, this synod lies in the middle of a fairly narrow range.

How does the congregation budget for synod meetings and events?
According to provision **S14.25** in the *Synod Constitution, Bylaws, and Continuing Resolutions*, all rostered ministers **shall** attend meetings and events of the synod. Annually, this includes the Synod Assembly, Fall Conference, Annual Boundary Training. Other meetings of the synod, conference, or area subdivision

may also be called. The cost to attend these meetings shall be covered by the congregation. This is a separate budget item from Continuing Education. The time away from the congregation to attend the meetings and events is above and beyond time allotted for Continuing Education. The General Information page for the guidelines offers an estimate for attending these events. The locations of the events are publicized as early as possible to facilitate budget planning.

The locations are intentionally varied from year to year so that the need for lodging may alternate. Congregations may consider budgeting the same amount each year and holding some excess in a reserve account to help cover the cost when lodging is required.

Does the congregation have to use Portico Benefits for health insurance?
It is important to refer to the *ELCA Philosophy of Benefits* when choosing a provider. Portico Benefits is a ministry of the church and not for profit. The yearly increases to the cost of benefits is nearly always below the market average. Healthy congregations are led by healthy leaders. Providing quality benefits for the rostered ministers and their families frees the rostered minster to focus on the ministry and mission of the congregation.

Congregation leaders who administer benefits in their daily vocation share the amount of time it takes to shop around for affordable health benefits. They also share how they are switching plans each year as the good deal of one year comes with an above market average increase in the second year. Portico's track record of below average increases and quality of benefits saves time and money for the leaders and congregation year over year.

When a rostered minister leaves, do we pay unused book allowance and continuing education money?
Both the recommended book allowance and continuing education money are considered reimbursed expenses. This means they are paid after a purchase or program has happened. Unused book allowance remains with the congregation to be used by the next called pastor.

Since continuing education money may be held for up to three years to be used for a learning event that may be more expensive, there may be times when a rostered minister asks for the continuing education money to be transferred to the next congregation. This would include what has been held in reserve from past years, not to exceed three, and what is accrued to date in the current year. For example if the continuing education allowance for the current year is $1200 and the pastor takes a new call in June, the pastor may ask for $600 of the current year budget to be transferred to the new congregation. The continuing education money is always sent congregation to congregation and not paid directly to the pastor.

Can a pastor elect to have the congregation pay FICA rather than submitting self-employment tax?
The answer from the IRS and Social Security Administration is "no." There are rare cases where the IRS will grant an exception. Unless a pastor has this proof of this exception, the pastor must submit self-employment tax.

Can SAMs and deacons claim a tax-exempt housing allowance?
Any SAM or deacon considering claiming a tax-exempt housing allowance should consult a clergy tax professional first. While some portions of the definition of clergy are a fit, it is not clear if that would be enough should the IRS choose to call the exemption into question. Historically, in this church body, this exemption is reserved for ordained ministers who preside at the sacraments-pastors. Deacons, while

now ordained, do not preside at the sacraments. SAMs, while authorized to preside at the sacraments, are not ordained.

What do we do if we cannot keep up with the guideline salary and benefits for our pastor?
First, the leaders and pastor should be in conversation early if there is concern. Portico Benefits shares the cost of benefits estimates by late August. This is one point where a conversation should occur. Second, look at the whole budget. Does the budget align with the ministry and mission goals of the congregation? What budget items are becoming burdens such as high building costs? Are there ways to mitigate those budget items to allow for the pastor's salary and benefits?

After all other avenues have been explored, the pastor and leaders should think about non-budget ways to compensate the pastor. This might include extra vacation or Sundays off during the year. If the pastor and congregation plan to consider reducing the pastor's hours to less than the amount of the original call, this requires a change in call by congregation vote. If this is being considered, please contact the Office of the Bishop for assistance.

Are there guidelines for paying other church workers?
For some positions, there are similar positions in many businesses. In this case, congregations should stay attuned to the salaries of individuals with similar position descriptions. For more church specific positions, the deacon guidelines may provide some guidance. The range on the salary tables for deacons presumes a deacon with a bachelor's degree for the low end and a deacon with a master's degree in ministry for the top end of the scale. The education and experience of the ministry professional may be one marker in determining salary.

What are the guidelines for pulpit supply, interims, and SAMs?
You will find the adopted rate for pulpit supply on the pulpit supply list. This amount includes the considerable time spent preparing to preach as well as the time present for worship.

Interim pastors should be paid according to guidelines not to exceed the amount the congregation budgeted for the pastor who resigned. As many interim pastors come with extensive experience, this may mean making other adjustments, so the pastor feels adequately compensated for their level of experience.

An agreement between a SAM and congregation is facilitated by the Office of the Bishop. The agreement comes with a recommended full-time salary or hourly rate depending on the type of agreement and responsibilities of the SAM.