

2008
Compensation
Guidelines for
ASSOCIATES IN
MINISTRY

Southwestern Washington Synod
of the ELCA

Revised 8/23/2007

MEMORANDUM

To: Congregation Councils and Rostered Person's
From: Rev. Don Fossum, SW WA Synod Adjunct Staff
Date: August 17, 2007
Re: 2008 Rostered Compensation Guidelines

Compensation Guidelines and Cost of Living Adjustments (COLA)

Many congregations begin their next budget planning process prior to the Synod Council meeting to approve the annual COLA increase for the synod's Compensation Guidelines. Therefore, our Synod Council has approved a Continuing Resolution to use the previous year's U.S. Congress COLA recommendation.

This action permits the synod staff to prepare the next year's Compensation Guidelines as soon as the ELCA Board of Pension's medical/dental and administration rates are approved by the ELCA Board of Pension's Council, usually in mid-August.

The Synod Council approved a 3% increase for the 2007 Compensation Guidelines. The 2008 Compensation Guidelines reflects a 3.3% increase. The 2009 Compensation Guidelines will reflect whatever the 2008 U.S. Congress COLA will be.

This policy change will permit the synod staff to prepare the Rostered Compensation in a timely manner for congregations.

Associate in Ministry Compensation Worksheet

(Please complete using the instructions and figures on the following pages 1-11 to include on the ELCA "Definition of Compensation" Form.)

A. Clergy Compensation (pgs. 4-5 of this guide)

The total of section A is the "defined compensation."

1. Annual Salary (table on page 4) \$ _____
2. Social Security (table on page 5)

B Pension and Other Benefits (tables on pgs 5-7)

1. ELCA pension at _____% of defined compensation
2. ELCA medical and Dental Insurance
___ a. Member only ___ b. Member and Spouse ___ c. Member and Children
___ d. Member, spouse and children ___ e. Coverage waived
3. Other insurance or benefits: _____ \$ _____
_____ \$ _____

C. Expenses

1. Automobile and travel allowance (see pg. 10) \$ _____
2. Other professional expenses \$ _____
3. Expenses for official meetings of the synod, as reimburse
4. Continuing Education (pg 8) (\$1,000 recommended; minimum \$700 from calling source) \$ _____
5. Other _____
6. Pay the moving expenses to this field of service as follows _____
_____ \$ _____

D. Agreement

1. Annual Vacation (see pg. 9) _____ weeks/yr. including _____ Sundays
2. Continuing Education time of _____ weeks per year.
3. Participation in a First-Call Theological Education program, where applicable
4. Ongoing care through a Mutual Ministry Committee.
5. Up to two months of continued salary, housing and contributions to the ELCA Pension and other benefits program in a 12-month period in the event that the pastor is physically or mentally disabled.
6. Where applicable, parental leave of 6 weeks with full salary and benefits

E. Administrative Costs

1. Worker's Compensation for clergy employee (see pg. 10)..... \$ _____

A. Compensation Salary and Housing

The 2008 guidelines for A.I.M. (Associate In Ministry) compensation below reflect a 3.3% Cost of Living Adjustment (COLA)¹ over the 2007 guidelines. The percentage incremental increases between each year of experience remain the same².

Compensation for A.I.M.

Yr.s	w/o	w/	Yr.s	w/o	w/
<u>Exprnc.</u>	<u>parsonage</u>	<u>parsonage</u>	<u>Exprnc.</u>	<u>parsonage</u>	<u>parsonage</u>
0	32,772	25,168	11	45,071	34,671
1	33,700	25,923	12	46,311	35,624
2	34,711	26,701	13	47,583	36,602
3	35,751	27,501	14	48,892	37,610
4	36,824	28,327	15	50,237	38,644
5	37,930	29,177	16	51,492	39,609
6	39,067	30,051	17	53,779	40,599
7	40,240	30,954	18	54,098	41,615
8	41,446	31,882	19	55,451	42,655
9	42,587	32,760	20	56,835	43,722
10	43,758	33,660			

The figures above are 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 an A.I.M. serving in a full-time position.

The figures above do not take into account merit raises that go beyond the COLA and minimum year-to-year incremental increase based on years of experience. The synod recommends consultation with your Staff Support Committee to determine an appropriate merit increase.

Enter your A.I.M.'s salary and housing allowance based on years of experience on Section A of the A.I.M. Compensation Worksheet.

1 The annual COLA for the year 2007 was 3.3% (Sept. 2007) Source: US Federal Congress Budget Office. The COLA used in 2007 was an estimated 3% because the actual COLA for 2007 was not available when the 2007 AIM Compensation Guideline was published. The SW WA Synod Council, September 2007, passed a Continuing Resolution to use the previous year's COLA amount for the next year in order to publish the synod compensation guidelines in August.

2 The incremental percent increases in the Southwestern Washington Synod Guideline schedule is:

<u>years</u>	<u>increment</u>
0-10	3.0%
10-15	2.75%
15-20	2.50%

These percentages have remained constant since the inception of the ELCA and of the Southwestern Washington Synod.

FICA Paid for an A.I.M.

For purposes of paying into the Social Security system, an A.I.M. is treated like any other church employee—the congregation is responsible for making quarterly employer payments to the Social Security Administration. Below are the annual FICA amounts for an A.I.M. based on these synod guidelines. FICA payments made directly to the federal government *are not* considered part of an A.I.M.'s "Defined Compensation."

Parsonages are treated in the same way as with clergy and are considered “taxable” when computing FICA payments for lay professionals. The ELCA assigns a figure of 30% of “Defined Compensation” to determine the annual monetary benefit of living in a parsonage. *Because the guideline figures in this document already reflect a 30% reduction in base salary (see page 1) for an A.I.M. living in a church provided parsonage, there is no difference in the FICA payments for an A.I.M. with the same years of experience whether they receive a housing allowance or live in a church owned parsonage.*

Church FICA Contributions for an A.I.M. based on synod guidelines

Years Exp.	S.S. Pymnt.	Years Exp.	S.S. Pymnt.	Years Exp.	S.S. Pymnt.	Years Exp.	S.S. Pymnt.
0	2,491	6	2,970	12	3,521	18	4,113
1	2,562	7	3,059	13	3,617	19	4,215
2	2,639	8	3,151	14	3,717	20	4,321
3	2,718	9	3,238	15	3,819		
4	2,799	10	3,327	16	3,914		
5	2,853	11	3,426	17	4,012		

Enter your A.I.M.'s FICA figure in Section A of the A.I.M.s Comp. Worksheet.

B. Pension and Other Benefits

Medical/Dental, Disability and Survivor Benefits Coverage

The congregation/agency is responsible for paying a set percentage of its A.I.M.'s “Defined Compensation” to the ELCA Board of Pensions for medical, dental, disability and survivor benefits. The actual total of this percentage contribution is determined by the “bundling” option selected by the A.I.M., i.e., whether spouse and/or other family members are covered under the medical and dental portion of the plan or, in rare cases, whether the A.I.M. elects to waive medical and dental coverage altogether.

The following are the **2008** Medical and Dental benefit rates established by the Board of Pensions of the ELCA.

2008 Medical/Dental Plan Rates

<u>Coverage</u>	<u>Contribution rate (as % of Defined Compensation)</u>	<u>Minimum Annual Contribution</u>	<u>Maximum Annual Contribution</u>
Member only	12.2%	\$5,532	\$7,476
Member and Spouse <u>or</u> Children	21.4%	\$9,672	\$13,092
Member, Spouse & Children	30.5%	\$13,824	\$18,696
Coverage Waived	0.0%	\$-0-	\$-0-

Determine the amount to budget for payments for Medical and Dental Coverage under the ELCA Board of Pensions Program, by multiplying the appropriate percentage from the above table to the sum of Section A from the A.I.M. Compensation Worksheet for an A.I.M. w/o a parsonage or the sum of lines 1 & 2 multiplied by 1.3 for an A.I.M. living in a parsonage (see worksheets for calculations).

Disability, Survivor, & Administration Benefits.

The cost of disability, retiree support, and administration of the ELCA Board of Pensions Plan is 2.7% of "Defined Compensation" for all members.

Disability, Survivor Benefits, & Administration Contributions for A.I.M. members of the ELCA Board of Pensions based on synod guidelines (with or without a parsonage)

<u>Yr.s</u>	<u>Exprnc.</u>	<u>Contribution</u>	<u>Yr.s</u>	<u>Exprnc.</u>	<u>Contribution</u>
0		952	11		1,310
1		979	12		1,346
2		1,009	13		1,383
3		1,039	14		1,421
4		1,070	15		1,460
5		1,102	16		1,496
6		1,135	17		1,533
7		1,169	18		1,572
8		1,204	19		1,611
9		1,237	20		1,651
10		1,271			

Enter the Disability Benefits & Administration Contribution in Section B of the A.I.M. Compensation Worksheet.

Pension

Regular pension contributions to the ELCA Board of Pensions are calculated as a percentage of "Defined Compensation" which is the sum of salary and housing allowance. If a parsonage is provided, "Defined Compensation" is the sum of cash salary multiplied by 1.3. Use the table below to calculate pension contributions.

Because the guideline figures in this document already reflect a 30% reduction in base salary (see page 1) for A.I.M.'s living in a church provided parsonage, there is no difference in the pension payments for A.I.M.s with the same years of experience whether they receive a housing allowance or live in a church owned parsonage.

2008 Pension Contribution Rates for A.I.M.s enrolled in a Predecessor Church Pension Plan before 1988

Based on Age of Member on 12/31/2007

Under 61 = 10.0% 62-70 = 11.0% 71+ = 12.0%

If service in the church began in 1988 or later, the required pension contribution is 10% of "Defined Compensation" regardless of age.

2008 Pension Contributions based on Synod Guidelines for A.I.M.s

Yrs. Exp.	10%	11%	12%	Yrs. Exp.	10%	11%	12%
0	3,277	3,605	3,933	11	4,507	4,958	5,409
1	3,370	3,707	4,044	12	4,631	5,094	5,557
2	3,471	3,818	4,165	13	4,758	5,234	5,710
3	3,575	3,933	4,290	14	4,890	5,378	5,867
4	3,683	4,051	4,419	15	5,024	5,426	6,029
5	3,793	4,172	4,552	16	5,149	5,664	6,179
6	3,907	4,297	4,688	17	5,278	5,806	6,334
7	4,024	4,427	4,829	18	5,410	5,951	6,492
8	4,145	4,559	4,974	19	5,545	6,100	6,654
9	4,259	4,685	5,111	20	5,684	6,252	6,820
10	4,376	4,813	5,251				

Without respect to age, A.I.M.s may request to have their pension contribution increased to 12% as was possible in the predecessor church pension programs.

Enter your congregation's or agency's pension contribution for its A.I.M in Section B of the A.I.M.s Compensation Worksheet.

Housing Equity for A.I.M.s living in a church-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.

Because the A.I.M. having to live in a church owned parsonage 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 A.I.M. living in a parsonage.

The Southwestern Washington Synod suggests a minimum annual contribution of \$500. into a Housing Equity Fund. The ELCA Board of Pensions 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" by the Board of Pensions and therefore do not increase the cost of Board of Pensions benefits.

To determine the maximum annual housing equity contribution, write to:

Member Services Department of the ELCA
Board of Pensions Office
800 Marquette Ave. Suite 1050
Minneapolis MN 55402

If your A.I.M. is required to live in church owned parsonage, determine a Housing Equity Contribution of no less than \$500.00 and enter it on the A.I.M. Compensation Worksheet.

C. Expenses

Auto Expense Reimbursement/Auto Allowance

Auto expense and other work related travel are a business expense for the congregation and must not be considered as part of a church professional's salary. 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 church-related expenses including cost of fuel, repairs, insurance, tolls, parking, and depreciation. The IRS is increasingly requiring accurate records to support auto expenses received in connection with church-related travel. 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 A.I.M., in order to comply with tax regulations, is required to report and to reimburse the church for personal use of the vehicle.

- 2) The congregation can reimburse the church professional for actual miles driven at a specific rate per mile. It is appropriate to use the IRS standard mileage rate for operating a car for business. A monthly log is submitted by the A.I.M. and reimbursement is based on the actual miles driven for church 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 church professional in the previous year. The actual annual pay-out may be more or less based on the actual requirements for travel in the new 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 Form W-2. In order to deduct some or all of church-related auto expenses under an allowance arrangement, A.I.M.s must itemize their return and file form 2106 for Employee Business Expenses.

Check the type of Auto Expense Reimbursement/Auto Allowance plan your congregation will provide its A.I.M. and then enter the amount of money required to fund that auto expense or allowance plan in Section C on the A.I.M. Compensation Worksheet.

Continuing Education/Sabbatical Leave

Congregations should expect an A.I.M. to be involved in continuing professional and theological education programs that provide opportunities for personal development, enrichment of devotional life, and growth in ministry 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.

An A.I.M. should be granted at least two weeks study leave per year and \$700 per year for continuing education expenses, both cumulative up to three years*. Accumulating accounts may be established and managed through the **Region I Financial Services Office**. It is an expectation that an A.I.M. 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 an A.I.M. resigns:

An A.I.M. 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.

Sabbatical Leave

The congregation and its A.I.M. are encouraged to plan together for a time when the A.I.M. can take a sabbatical leave of three months to one year for study, personal

growth and reflection. Sabbatical planning resources are available from the Alban Institute (1-800-486-1318) and through the synod office.

Enter your congregation's or agencies annual Continuing Education contribution for its A.I.M. in Section C of the A.I.M. 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.

The Southwestern Washington Synod recommends a minimum of \$700.00 annually, two weeks/year, and a three-year maximum accumulation.

Parental Leave for Newborns/Sick Leave

Many Letters of Call and Letters of Appointment do not include provisions for parental and sick leave. These issues should be discussed and official policy established by church councils. It is recommended that maternity leave of six weeks with full salary, housing, and benefits be adopted as official policy. Since paternity leaves are emerging as appropriate and beneficial to the health and well being of the family, we recommend that paternity leave be granted of up to two weeks with full salary, housing, and benefits.

If an A.I.M. becomes disabled as a direct result of injury, or physical or mental disorder and is therefore unable to perform the material duties of his or her occupation for the employer, the ELCA Board of Pensions 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, the Board of Pensions provides 66²/₃% of pre-disability pay.

Where applicable, write the number of weeks your congregation or church agency will grant as parental newborn leave with full salary, housing and benefits on the A.I.M. Compensation Worksheet.

D. Agreement

Annual Vacation

Associates In Ministry 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-day weekends and other holidays. Therefore, vacation time is a necessary priority for an A.I.M. It is this synod's policy that all A.I.M's receive a minimum of four weeks annual paid vacation, including four Sundays*.

- * **Unused Vacation Time.** In the absence of any other officially recognized agreement or policy about the accumulation of unused vacation days, we recommend 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.

Weekly Days Off.

At least one full day free from professional church leadership responsibilities should be provided each week and, when possible, arrangements be made for having two consecutive days off.

Enter the number of weeks your congregation or church agency will grant as annual paid vacation in Section D. of the A.I.M. Compensation Worksheet.

E. Washington State Workers' Compensation Plan

Washington State law requires that congregations pay into the State Workers' Compensation program for all church employees, for all worker hours.

Enter the cost of Workers' Compensation your congregation must pay on behalf of your A.I.M. under Section E of the attached A.I.M. Compensation Worksheet.

Congratulations, you have now completed a compensation package including associated administrative costs and other benefits for your AIM using the *2008 compensation Guidelines for A.I.M.s: Southwestern Washington Synod*

The following pages include suggestions for "redistributing" your compensation package in ways that may enable your A.I.M. to take better advantage of IRS tax codes and may actually increase the after tax value of the compensation package to you're A.I.M. 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 associate(s) in ministry 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 that benefit both the employer (the congregation usually has lower total costs) and the employee (the associate in ministry 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 church council and the salaried associate in ministry is an absolute prerequisite to the application of any of these suggestions.

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 an associates' in ministry after tax income by reducing the amounts that are subject to federal income taxation and social security taxation, FICA.

Be appraised, however, that all of the following redistribution options also reduce the required amount that must be paid by the congregation to the Board of Pensions. This includes the pension portion of those payments. These same strategies also reduce survivor benefits from the ELCA Board of Pensions because survivor benefits are based on a percentage of "Defined Compensation" at the time of death.

With respect to survivor benefits, church professionals will have to assess the risk for themselves. With respect to reduced pension contributions, **the synod strongly urges congregations using any of these strategies to restore the pension portion of payments made to the ELCA Board of Pension 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 church 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 Board of Pension 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 Board of Pensions Medical/Dental Plan. This is an especially advantageous option for A.I.M.s who cannot participate in the Managed Health Care benefits being offered by the Board of Pensions 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 form, and are not considered part of Defined Compensation when calculating medical/dental contributions to the ELCA plan. Congregations offering such a program must make them available to all full-time employees and the appropriate motions must be passed by the church council at its first meeting after the church's budget is passed. An accounting system must be established where the church employee submits vouchers and receipts for reimbursement.

For reference in meeting the IRS requirements for an accountable plan, see:
http://www.irs.ustreas.gov/prod/forms_pubs/pubs/p4630602.htm

Suggestion 2. Establish a Professional Expense Reimbursement Plan

A congregation and its A.I.M.(s) can work together to maximize the reimbursement of professional expenses that are typically paid out-of-pocket with after-tax wages by the A.I.M. These expenses can include the cost of periodicals, books, professional supplies, conferences, etc. Using methods that meet the IRS requirement for "Accountable Reimbursement" plans, an A.I.M. 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 plan. This is an especially advantageous plan for A.I.M.s who are planning an extended study leave in the new year 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 church council at its first meeting after the church's budget is passed and a system for submitting vouchers and receipts for reimbursement established.

For reference in meeting the IRS requirements for an accountable plan, see:
http://www.irs.ustreas.gov/prod/forms_pubs/pubs/p4630602.htm

Suggestion 3. Employer Optional Contributions to the Optional Pension Plan of the ELCA Board of Pensions

An ELCA congregation may elect to make an "Employer Optional Contribution" to the Optional Pension Plan of the ELCA Board of Pensions for the benefit of its A.I.M. 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 A.I.M., write to:

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

If the “Employer Optional Contribution” to ELCA 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 and disability, survivor benefits and administration under the ELCA plan, and (2) the contributions are fully exempt from federal income tax and social security tax (FICA).

Suggestion 4. Deferred Compensation Plan

Another option that a congregation may wish to consider with the consent its A.I.M. 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 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 A.I.M.s living in unfurnished parsonages)

A Household Expense and Furnishings Allowance may be designated as a portion of annual salary and may be used by an associate in ministry 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 (FICA) and is considered part of “Defined Compensation” by the ELCA Board of Pensions.