

Southwestern Washington Synod

**2020 Compensation
Guidelines for Rostered
Ministers
of Word and Sacrament AND
Word and Service**

Find this document on the synod website <http://www.lutheranssw.org/wp-content/uploads/Definition-of-Compensation-for-Pastor-form1.pdf>

8-26-2019

Thanks be to God for the churches, affiliated organizations and rostered ministers in our Synod who preach the Gospel and respond to the call of Jesus Christ through an astounding diversity of essential and creative ministries.

In 2017, we become aware that our Synod Guidelines were below those of other Synods in Region 1 and the Midwest, where the cost of living is lower, as well as teachers with master's degrees from most cities in Washington. The Southwestern Washington Synod has a strong desire to care for our Rostered Ministers and compensate them as the professionals they are, and thus formed a task force of lay people and rostered ministers to work on fair compensation.

Starting in 2018, the Synod Council voted to increase the base of 0 years of experience for clergy and deacons with a master's degree by \$1500 annually plus COLA (Cost of Living Adjustment) to help to bring them into line with other synods for each of the next 3 years (2018-2020). Deacons without a master's degrees increased \$900 annually plus COLA. This increase goes up by a specific percentage for each group of years of experience. (This percentage scale is shown at the bottom of the salary charts on pages 10, 13 & 14.)

Even though this is the final year of this three-year plan that this \$1500 base increase will be given, until the Synod Council decides again that the synod compensation guidelines need to be adjusted again for the fairness to our ministers, as well as to our congregations. The COLA will continue each year based on the Consumer Price Index in our immediate context in the Bremerton-Tacoma-Olympia area which is compared to the Vancouver-Portland-Hillsboro area from June – July (June 2018-July 2019). **The 2020 Cost of Living Adjustment for all rostered and appointed ministers used for these compensation guidelines will be 2.30%.**

As you pray, work, converse, compromise and even struggle, about what is just and fair compensation for your rostered professional ministers, may you continually be encouraged, supported and inspired by our most gracious God who desires that CHRIST'S BODY would be healthy and grow.

The Role of God’s Call in Compensation

As we believe in the ministry of all the baptized, we also train and call persons to specific ministries such as pastors and deacons:

“This church affirms the universal priesthood of all its baptized members. In its function and its structure this church commits itself to the equipping and supporting of all its members for their ministries in the world and in this church. It is within this context of ministry that this church calls or appoints some of its baptized members for specific ministries in this church.” (ELCA Constitution 7.11)

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

- Psalm 127:1
- Psalm 145: 10-21
- Proverbs 2: 1-11
- Ephesians 4: 11-16
- 1 Timothy 5: 17-18

Compensation Planning

The term “rostered minister” refers to a person who is on the ELCA roster of Ministers of Word and Sacrament (pastors) or the ELCA roster of Ministers of Word and Service (deacons). This call lays out the expectations on the part of the leader and the congregation. Beginning in 2017, all new deacons will earn a master’s degree prior to being placed on the roster of Ministers of Word and Service. We have a separation compensation scale for deacons with a master’s degree and for those without.

Call committees and synod staff are intentional about what is presented in the initial call. Experience shows that the process of discerning compensation can be different in the yearly reviews that follow. Therefore, a variety of tools may be needed or considered. Flexibility in determining these benefit packages is important as the leader and the congregation work through the process. Consideration should also be taken as it relates to the “The Wholeness Wheel”, pictured left. The Wholeness Wheel illustrates that wellness is multi-dimensional which is made up of spiritual, vocational, intellectual, emotional, physical, social, and financial dimensions of well-being. Each of these areas contributes to the well-being of the leaders and the congregations it serves.



Note: Perico Benefit Services' wholeness wheel emblem are trademarks of Perico Benefit Services (U.S. Patent and Trademark). Certificate of registration numbers: 4,837,266; 4,837,268; 4,837,269; 4,836,828; 4,877,911; 4,769,984.

larger debt levels of many graduates and the cost of raising children. Raises based upon merit are also encouraged. In general, there are two main areas of benefits: those that involve money and those that are a matter of time. We firmly believe that a fair salary is very important, as is medical coverage and adequate housing. Some leaders and congregations are also finding creative ways to adjust work schedules to meet the needs of both the leader and the parish. Each setting is unique. We want to encourage congregations and leaders to invest time in the process and carefully work out a plan that is suitable to all. A third type of benefit to factor in is the intangible factor of appreciating one another. We invite congregations to find ways to say: "Thank you, we're glad you are here" throughout the year. It always feels good to be told thank you.

Your minister's education and training may have required high educational debt. For example, ELCA ordained pastors generally have a degree from a four-year college or university and have then gone to a seminary for an additional 4 or more years, depending on their training program. About two-thirds of recent Lutheran seminary students graduate with a median indebtedness of more than \$53,000. Your experienced minister may have also gained other graduate credits and certifications through different educational programs and counseling degrees.

The success of determining the best compensation begins with strong congregational leadership. The compensation for staff of the congregation is usually recommended by a budget committee and/or the congregational council and then approved by the congregation. In the process of determining compensation we ask you to think in terms of the level of responsibility that is given to the pastor or deacon. We suggest that yearly evaluations for leaders be done in the context of the congregation's ministry, and that there be a clear distinction between compensation and performance evaluation. All participants in the process are to keep in mind the compensation package as a whole. The Southwestern Washington Synod has resources for evaluation of your ministers and ministries. The evaluation tools are posted on the synod website at <https://www.lutheranssw.org/leader-resources/forms-administration>, or you may request these tools through email (swwsynod@plu.edu) or by phone 253-535-8300.

During this planning process, please keep in mind: In our church, A) 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 minister and his/her family?

Rostered ministers of the ELCA (pastors and deacons) 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.

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

Part-time Compensation

When a congregation cannot meet Synod Compensation guidelines, strategies need to be considered that allow the rostered leader freedom and opportunity to earn additional income through complementary employment. Congregations and rostered ministers should be deliberate and transparent concerning the amount of time each week, month and season that the rostered person may rightfully use and protect for outside activities, whether paid or unpaid.

2020 Cost of Living Adjustments (COLA) and Years of Experience

The Cost of Living Adjustment

Our Synod Compensation Guidelines Task Force and our Synod Council agree to base the Cost of Living Adjustment (COLA) on the Consumer Price Index of cost of living in the Tacoma-Bremerton- Olympia area and the Vancouver-Portland-Hillsboro area. This year's COLA rate is 2.30%. The Consumer Price Index measures the average price change of certain items over time paid by urban consumers for a market basket of consumer goods and services. The index shows national trends, as well as geographic areas, so it is more in line with what our ministers' costs are. We feel that this is the best number to meet the differing areas of our Synod.

The main reason to give a cost of living raise is to keep employee wages reasonable compared to living expenses. As the cost of basic items increases, everyone, including our lay and rostered staff, needs more money in order to pay their higher living expenses.

Years of Experience

Each year, your pastor and/or deacon add another year of experience (more experience and education), which means that there will be an increase in their defined compensation for 2020 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 call/ level of responsibility, education and expertise, Initiative and merit, growth and leadership and fairness and equity in addition to these minimum guidelines:

An online Definition of Compensation Form is available on the synod website at

<http://www.lutheranssw.org/wp-content/uploads/Definition-of-Compensation-for-pastor-form1.pdf>

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

Portico Benefit Services is a separately incorporated non-profit ministry of the ELCA. Our ELCA church- sponsored plan is self-insured with 35,000 plan members. That means that sponsoring organizations (congregations, seminaries, schools, and ELCA ministries) pool resources to pay for health care that our ministers and their families need.

Whether life-saving surgery or a regular 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 our rostered ministers, 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>.

The Portico rate for each individual is based on "defined compensation" (For clergy this is salary, including housing allowance + social security offset. For Deacons and other lay members it is salary only). Also affecting the insurance rate is the member's age, and the employer's geographic location. These practices help spread costs among organizations of greater and lesser means and support a diverse population of rostered ministers and other church employees. This year's Portico health insurance rates increased by 4% baseline contribution rate increase for all four metal plans. Contributions also increase annually by about 2% due to age.

We all know that healthy, resilient ministers shape healthy ministries. It's why we say, "Live well ... healthy ministers 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 each winter will qualify for health care reimbursements of up to \$200 just for taking the assessment and participating in the related health, financial and retirement wellness activities.

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 ministerial staff, council and congregational members 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 considering his/her and the congregation's needs, enabling the rostered minister to participate in such opportunities.
3. Providing on-going reflection on the needs and expectations of both minister 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 rostered minister(s) and spouse (and lay staff), providing opportunities for open communication between congregation and minister, initiating possibilities for reconciliation in times of conflict.

The synod suggests a Mutual Ministry resource, "Pastor and People, Making Mutual Ministry Work," which can be ordered at <https://www.augsburgfortress.org/store/product/6811/Pastor-and-People-Making-Mutual-Ministry-Work>

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. This job may also be filled by the Executive Committee, in the absence of a Mutual Ministry Committee, though this may be an increase of their duties and time commitment.

Definition of Compensation for a Pastor

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

Word and Sacrament Minister (Pastor): <https://bit.ly/2xVpAxe> (Guide to Form <https://bit.ly/2R20Vj7>)

A. 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 (including housing allowance) \$ _____
(a. Housing Allowance portion of base salary from line 1 for record only \$ _____)
2. Self-employed Social Security payment allowance (Clergy only) \$ _____
3. If Parsonage, then compute the following:
Utilities allowed \$ _____
Furnishings allowance \$ _____
Housing equity allowance \$ _____

B. Pension and Other Benefits (Use the benefits calculator online at Portico’s Employer Link)

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 individual, 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.)

- a. ELCA pension at _____% of **Defined Compensation** \$ _____
- b. 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
- c. Other insurance or benefits: _____ \$ _____
_____ \$ _____

C. Expenses

- The congregation will provide for the following expenses related to this position: \$ _____
- a. Automobile and travel allowance \$ _____
 - b. Other professional expenses \$ _____
 - c. Expenses for official meetings of the synod, as reimburse \$ _____
 - d. Continuing Education (minimum \$700 from calling source) \$ _____
 - e. Other _____ \$ _____
 - f. Pay the moving expenses to this field of service as follows _____

Agreement

- g. Annual Vacation _____ days per year. Including 4 Sundays
- h. Continuing Education time of _____ weeks per year. (Recommend minimum of 2 weeks per year that may accumulate up to 6 weeks total over 3 years), as reflected in a continuing education agreement developed by rostered minister and congregation council.
- i. Participation in a First-Call Theological Education program (\$500 for first three years of first call)
- j. Ongoing care through a Mutual Ministry Committee. 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* . (continued next page)

**Provision may be made for further unpaid time for disability recovery as agreed by congregations, but with the stipulation that unused accumulated sick leave will not be compensation at the end of this call.*

- k. Parental Leave of ____ weeks with full salary and benefits. **
- l. Family Leave of ____ weeks with full salary and benefits.***

*** The 2019 Synod Assembly passed a resolution that recommends: "Parental Leave: Paid leave of up to twelve weeks is recommended upon the birth or adoption of a child to recover and/or care for a new baby."*

**** The 2019 Synod Assembly passed a resolution that recommends: Family Leave for Care of Family Due to Illness: Paid leave of up to twelve weeks is recommended to care for an immediate family member with a serious health condition."*

- m. 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 or deacon is physically or mentally disabled.
- n. Parental Leave of ____ weeks with full salary, housing and benefits.
- o. Sabbatical of ____ weeks every ____ years of full-time service.

D. Administrative Costs

- 1. Worker's Compensation \$ _____
- 2. ____ The Congregation, or ____ the rostered minister, will pay employee portion of the premium for Paid Sick Leave.
- 3. Pulpit Supply \$ _____

Definition of Compensation for a Deacon

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

Word and Service Minister (Deacon): <https://bit.ly/2N9aObA> (Guide to Form <https://bit.ly/2IlmQ0F>)

A. Compensation

1. Annual Salary (Including housing allowance of \$ _____) \$ _____

B. Pension and Other Benefits (Use the benefits calculator online at Portico's Employer Link)

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 individual, 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 ELCA Pension and other Benefits Program. (Use the benefits calculator online at Portico's Employer Link)

A. ELCA pension at _____% of **Defined Compensation** \$ _____

2. ELCA Medical/Dental Insurance

____ a. Member only ____ b. Member, Spouse ____ c. Member and children

____ d. Member, Spouse and Children ____ e. Coverage waived

3. Other insurance or benefits _____ \$ _____

C. Expenses

The congregation will provide for the following expenses related to this position: \$ _____

a. Automobile and travel allowance \$ _____

b. Other professional expenses \$ _____

c. Expenses for official meetings of the synod \$ _____

d. Continuing Education (minimum \$700 from calling source) \$ _____

e. Other _____ \$ _____

f. Pay the moving expenses to this field of service as follows _____

D. Agreement

g. Annual Vacation _____ days per year. Including 4 Sundays

h. Continuing Education time of _____ weeks per year. (Recommend minimum of 2 weeks per year that may accumulate up to 6 weeks total over three years), as reflected in a continuing education agreement developed by rostered minister and congregation council.

i. Participation in a First-Call Theological Education program (\$500) for first three years of first call)

j. Ongoing care through a Mutual Ministry Committee.

k. 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 deacon is physically or mentally disabled* .

**Provision may be made for further unpaid time for disability recovery as agreed by congregations, but with the stipulation that unused accumulated sick leave will not be compensation at the end of this call.*

l. Parental Leave of _____ weeks with full salary and benefits. **

m. Family Leave of _____ weeks with full salary and benefits. ***

**** The 2019 Synod Assembly passed a resolution that recommends: "Parental Leave: Paid leave of up to twelve weeks is recommended upon the birth or adoption of a child to recover and/or care for a new baby."**

***** The 2019 Synod Assembly passed a resolution that recommends: Family Leave for Care of Family Due to Illness: Paid leave of up to twelve weeks is recommended to care for an immediate family member with a serious health condition."**

n. Sabbatical of _____ weeks every _____ years of full-time service.

I _____ The Congregation, or _____ the rostered minister, will pay employee portion of premium for Paid Sick Leave.

A. Salary and Housing

2020 Minimum Salary, including Housing Allowance for Clergy (Ministers of Word and Sacrament)*

Years Exp	Base salary+hsg allowance	social security offset	Defined Compensation	Years Exp	Base salary+hsg allowance	social security allowance	Defined Compensation
0	\$47,658	\$3,646	\$51,304	26	\$85,431	\$6,535	\$91,966
1	\$50,095	\$3,832	\$53,927	27	\$86,392	\$6,609	\$93,001
2	\$51,473	\$3,938	\$55,410	28	\$87,364	\$6,683	\$94,047
3	\$52,888	\$4,046	\$56,934	29	\$88,347	\$6,759	\$95,105
4	\$54,343	\$4,157	\$58,500	30	\$89,341	\$6,835	\$96,175
5	\$55,837	\$4,272	\$60,108	31	\$90,234	\$6,903	\$97,137
6	\$57,372	\$4,389	\$61,761	32	\$91,136	\$6,972	\$98,108
7	\$58,950	\$4,510	\$63,460	33	\$92,048	\$7,042	\$99,089
8	\$60,571	\$4,634	\$65,205	34	\$92,968	\$7,112	\$100,080
9	\$62,237	\$4,761	\$66,998	35	\$93,898	\$7,183	\$101,081
10	\$63,949	\$4,892	\$68,841	36	\$94,837	\$7,255	\$102,092
11	\$65,387	\$5,002	\$70,390	37	\$95,785	\$7,328	\$103,113
12	\$66,859	\$5,115	\$71,973	38	\$96,743	\$7,401	\$104,144
13	\$68,363	\$5,230	\$73,593	39	\$97,711	\$7,475	\$105,185
14	\$69,901	\$5,347	\$75,249	40	\$98,688	\$7,550	\$106,237
15	\$71,474	\$5,468	\$76,942	41	\$99,675	\$7,625	\$107,300
16	\$73,082	\$5,591	\$78,673	42	\$100,671	\$7,701	\$108,373
17	\$74,726	\$5,717	\$80,443	43	\$101,678	\$7,778	\$109,456
18	\$76,408	\$5,845	\$82,253	44	\$102,695	\$7,856	\$110,551
19	\$78,127	\$5,977	\$84,104	45	\$103,722	\$7,935	\$111,656
20	\$79,885	\$6,111	\$85,996	46	\$104,759	\$8,014	\$112,773
21	\$80,783	\$6,180	\$86,963	47	\$105,807	\$8,094	\$113,901
22	\$81,692	\$6,249	\$87,942	48	\$106,865	\$8,175	\$115,040
23	\$82,611	\$6,320	\$88,931	49	\$107,933	\$8,257	\$116,190
24	\$83,541	\$6,391	\$89,932	50	\$109,013	\$8,339	\$117,352
25	\$84,481	\$6,463	\$90,943				

*The benefit of the parsonage decreases the base salary by 23% + SS offset of 7.65% of that amount for the total defined compensation.

Salary is computed as follows:

2020 starting salary for new clergy with zero years of experience	\$47,658
Each additional year of service year 1-10	2.75%
Each additional year of service year 11-20	2.5%
Each additional year of service year 21-30	1.125%
Each additional year of service year 31-50	1.00%
Cost of Living Increase for 2020	2.3%

Five Things to Know about the Clergy Housing Allowance from the IRS:

The Housing Allowance is a benefit for pastors only, as approved by 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 annually in writing and approved by official action by the congregation council or the congregation. A record of the action approved 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.

Congregation Provided Parsonage

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

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

Still other congregations allow a pastor to rent a home and base their allowances on the expenses of a rental home of the pastor's choosing. This lets someone else be the landlord and often is a good choice for parish staff when local conditions dictate. It is best not to have a landlord who is a member of the congregation. This avoids dual relationships and conflicts of interest.

The benefit of the parsonage decreases the base salary by 23%.

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, they have 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. Because of the tax laws, Section 107 of the IRS tax code allows a full-time ordained clergy to shelter some income/expenses from income tax, but not from social security tax. Section 107 allows the cost of owning, renting and maintaining a church parsonage or personal home to be excluded from form 1040, but not IRS Form SE. You should encourage your pastor to learn all they can about the IRS code, so they can make the best decision for themselves.

Self-Employed Social Security Offset for Clergy

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 (“social security offset”).

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/ 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 (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.

Salary for Deacons (Ministers of Word and Service)

One scale for those with master's degree, one without a master's degree

1. Deacons WITH Master's Degree

Years experience	Salary		Years experience	Salary
0	38,501		26	69,017
1	40,470		27	69,793
2	41,583		28	70,578
3	42,726		29	71,372
4	43,901		30	72,175
5	45,109		31	72,897
6	46,349		32	73,626
7	47,624		33	74,362
8	48,933		34	75,106
9	50,279		35	75,857
10	51,662		36	76,615
11	52,824		37	77,382
12	54,013		38	78,155
13	55,228		39	78,937
14	56,471		40	79,726
15	57,741		41	80,524
16	59,040		42	81,329
17	60,369		43	82,142
18	61,727		44	82,964
19	63,116		45	83,793
20	64,536		46	84,631
21	65,262		47	85,477
22	65,996		48	86,332
23	66,739		49	87,196
24	67,490		50	88,067
25	68,249			

Salary is computed as follows:

2020 starting salary for new deacon with zero years of experience	\$38,501
Each additional year of service year 1-10	2.75%
Each additional year of service year 11-20	2.5%
Each additional year of service year 21-30	1.125%
Each additional year of service year 31-50	1.00%
Cost of Living Increase for 2020	2.3%

2. Deacons WITHOUT Master's Degree

Years experience	Salary		Years experience	Salary
0	37,901		26	67,941
1	39,839		27	68,705
2	40,935		28	69,478
3	42,060		29	70,259
4	43,217		30	71,050
5	44,405		31	71,760
6	45,627		32	72,478
7	46,881		33	73,203
8	48,171		34	73,935
9	49,495		35	74,674
10	50,856		36	75,421
11	52,001		37	76,175
12	53,171		38	76,937
13	54,367		39	77,706
14	55,590		40	78,483
15	56,841		41	79,268
16	58,120		42	80,061
17	59,428		43	80,861
18	60,765		44	81,670
19	62,132		45	82,487
20	63,530		46	83,312
21	64,245		47	84,145
22	64,967		48	84,986
23	65,698		49	85,836
24	66,437		50	86,694
25	67,185			

Salary is computed as follows:

2020 starting salary for new deacon with zero years of experience	\$37,901
Each additional year of service year 1-10	2.75%
Each additional year of service year 11-20	2.5%
Each additional year of service year 21-30	1.125%
Each additional year of service year 31-50	1.00%
Cost of Living Increase for 2020	2.3%

Social Security for Deacons

Deacons are lay employees and receive social security benefits from their congregation just like other lay employees do. They do not pay into social security as self-employed .

B. Benefits for Rostered Ministers

All Portico benefits are based on the defined compensation of the clergy (Base Salary+housing allowance+social security offset) and deacons (salary only). These *benefits and just that- a benefit*, not a right. The use of the health benefit (only) may be waived by the minister, if they have proof of health insurance from another source. This means that there is no monetary value to the benefits. If a minister chooses to waive their health benefit, then the congregation does not “owe” them that amount in salary. It is not in compliance with the Affordable Care Act for an employer to pay the medical insurance an employee has with another provider. However, they may elect to increase the employee’s taxable income which they may elect to use to cover the cost of their insurance, if they desire. Increasing pay for this reason is not required.

Portico has an easy online Calculator in order to figure out all of your 2019 benefit costs at <https://employerlink.porticobenefits.org/Home/Resources/Calculators.aspx> no need to do your own math! You do not need to be signed in to Portico’s EmployerLink in order to use the calculators. The calculator is in the drop-down menu at the top of the website page. Enter whichever metal level (Gold +, Silver +, Bronze +) of health care coverage your congregation and rostered minister have selected for 2020. The Synod Council recommends Gold+ for all rostered leaders. The Synod is *Southwestern Washington Synod-1C*. The clergy salary table above includes the “defined compensation” so that you can easily enter that number in the Portico calculator. For Deacons, enter the annual salary only.

You may also speak to a Portico Customer Care Center 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 for your congregation ID number at 253-535-8300.

ELCA-Primary Health Benefit Changes for 2020

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 the required Annual Enrollment process again this fall, and plan for next year. See “Online calculator for Portico Benefits” on page 11. Changes for this year:

- **ELCA-Primary health plan members will now have access to a 24/7/365 primary care app with doctor visits for \$5 or less and a new online metal health program.**
- **Baseline health contributions will increase by 4.0% for 2020.** Costs also increase annually due to age (averages 2%) and increases in defined compensation. Coverage tier ratios (e.g., member only, member and spouse, etc) will be adjusted to better reflect health claim realities. ELCA Medicare-Primary Health benefits also increase by 4% for the Standard option.
- **Disability contributions will decrease again from 2.5% to 1.5% of defined compensation.** Rates for basic group life insurance, retiree support, and minimum required retirement contributions will remain the same.
- **Survivor Plan increases from 0.2% to 0.7%**
- **Retiree Support (.7%) and the minimum required retirement contributions (10%) are the same as in 2020.**

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. An HSA is only available if the plan member has a legally defined high deductible on their medical insurance.

- 2. Dependent Day Care Flexible Spending Account**
- 3. Wellness Dollars-** Plan Members may take a Health Assessment beginning in January 2020 and if they follow the plan steps to better their medical, mental or retirement health, they can earn up to \$200 in wellness dollars- a financial incentive for completing wellness activities.
- 4. Employee Assistance Program**
- 5. Diabetes Management Program-** through Livongo
- 6. Omada- a digital lifestyle change program** with ongoing support in areas you need it most, whether it's around eating, activity, sleep or stress (New in 2019)

Pension

Regular pension contributions to the ELCA Portico Benefits Services (10% of defined compensation) are computed on the basis of age.

2020 Pension Contribution Rates for Clergy Enrolled In a Predecessor Church Pension Plan before 1988 (Based on Age of Member on December 31,2019)

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.

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 is 0.3% of the clergy's defined salary. ***Enter the Life Insurance Contribution in Section B, line 3 of the Definition of Compensation Form.***

Disability

Disability contributions will decrease this year from 3.0 to 2.5% of Defined Compensation. This decrease accounts for the projected health care that members receiving disability benefits will need in 2019.

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.

Paid Sick Leave for all employees

As of **January 1, 2018**, employers in Washington are required to provide all of their employees with paid sick leave. The Washington State Department of Labor and Industries says that church workers are NOT

exempt from the overtime, minimum wage or paid sick leave requirements unless, basically, they are not paid.

Initiative 1433, which was approved by Washington voters in fall 2016, contains 4 primary changes to state law:

- **Requires employers to provide paid sick leave** to most employees beginning Jan. 1, 2018.
- **Increases the minimum wage** over the next several years.
- **Ensuring tips and service charges** are given to the appropriate staff and,
- **Protects employees from retaliation** when exercising their rights under the Minimum Wage Requirements and Labor Standards Act.

Paid Sick Leave Requirements

Accrual

- Under the law, employees must accrue paid sick leave at a minimum rate of 1 hour for every 40 hours worked. This includes part-time and seasonal workers.
- Paid sick leave must be paid to employees at their normal hourly compensation.
- Employees are entitled to use accrued paid sick leave beginning on the 90th calendar day after the start of their employment.
- Unused paid sick leave of 40 hours or less must be carried over to the following year.
- Employers are allowed to provide employees with more generous carry over and accrual policies.

Usage

- Employees may use paid sick leave:
- To care for their health needs or the health needs of their family members.
- When the employees' workplace or their child's school or place of care has been closed by a public official for any health-related reason.
- For absences that qualify for leave under the state's Domestic Violence Leave Act.
- Employers may allow employees to use paid sick leave for additional purposes.

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) The congregation can reimburse the minister for actual miles driven at a specific rate per mile. It is appropriate to use the current IRS standard mileage rate for operating an auto for business. The minister 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. Reimbursement for mileage cannot be given for the minister from their home to church, unless they have a meeting or pastoral care stop to do on the way.

- (2) 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.
- 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).

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*. For those pastors in the first 3 years of their first call, there is a Region 1 First Call Theological Education program that they are required to participate in. Thus annual retreat is a Sunday evening to Thursday mid-day in November. The cost is \$500 per rostered minister attending. Registration materials are out in September.

Accumulating continuing education accounts may be established and managed through the **Region I Financial Services Office**, in Mill Creek, WA. It is an option for pastors to contribute an additional \$350 each year to their continuing education through a salary reduction plan. If your congregation wants to establish this with the ELCA Region 1 Financial Services Office contact Alyce Bakker at alyce.bakker@elcaregion1.org.

* We suggest 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.

Sabbatical Leave

The congregation and its rostered minister(s) are encouraged to plan together for a time when the rostered minister 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 be an on-going part of the Rostered minister's compensation package. Sabbatical planning resources are available through the Southwestern Washington Synod Office at swsynod@plu.edu or 253-535-8300.

Moving Expenses

Congregations are expected to pay for their rostered ministers to move into their community when selected by the minister. Usually a contract with the moving company is secured by the minister and then paid for by the congregation. In 2019, the average cost of hiring a moving company is \$5000 from the Midwest to our Synod and \$10,000 from the East Coast to our Synod. Prices may vary depending on if the minister packs their own items, and what special furniture and valuables they are moving with them. It may help to have congregation volunteers help to unload the moving truck, too.

D. Agreement

Annual Vacation

Pastors are “on call” day and night, carrying heavy responsibilities daily, are often 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. Most clergy report working 50-60 hours per week. 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 clergy. (see **Payment for Supply Pastors** below).

During this time, meetings should not be scheduled which would require a pastor’s attendance and the pastor should be considered available only in the event of a personal emergency. A congregation should encourage these days off as much as they encourage the full heart and should of the pastor during the rest of the week.

* **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) days of 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.

Parental Leave for Newborns/Sick Leave/Disability

Letters of Call and Letters of Appointment should 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 leave** has 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. Portico must be part of the conversation from the start of the injury or illness.

E. Administrative Costs

Washington State Workers' Compensation Plan

All congregations are required by law to provide Workers' Compensation coverage for all employees. For purposes of Workers' Compensation, clergy are employees and therefore must be covered under Workers' Compensation.

Payment to Supply Pastors

The 2020 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, since this usually requires more than "just" Sunday worship.

F. Compensation Package Redistribution Options

This section 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.

An important element common to the suggestions below is that the congregation and its salaried minister(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 would be a payment above “defined compensation” amount to the pension using “explanation of payment.” 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 Professional Expense Reimbursement Plan

A congregation and its rostered minister(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. 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 by the council. For reference in meeting the IRS requirements for an accountable plan, contact the IRS.

Suggestion 2 - 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, contact Customer Service Department of Portico Benefits Services at 800.352.2876 or mail@PorticoBenefits.org

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 3 - Designate a Household Furnishings Allowance (for clergy living in an 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 4. 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. There needs to be a written note in council files specifying the amount selected.

If you have any questions on the Compensation Guidelines for Ministers, please contact the Southwestern Washington Synod Office at 253-535-8300 or email swsynod@plu.edu. If you have any specific tax questions, please consult a tax professional that is familiar with clergy and church taxes.