



2011-2012 CLERGY COMPENSATION DEVELOPMENT WORKSHEET

(For use July 1, 2011 through June 30, 2012)

The Sierra Pacific Synod of the Evangelical Lutheran Church in America

The following material is presented by the Sierra Pacific Synod's Leadership Discipling Team to 2011 Sierra Pacific Synod in Assembly for review, conversation and possible approval as its meeting May 13-15, 2011. The particular aims of this material are:

- to clarify approved baseline levels of compensation for pastors called to service in the Sierra Pacific Synod, and*
- to provide congregations of the Sierra Pacific Synod with tools for annual determination of appropriate compensation for those called to rostered ministry in their community.*

It is the assumption of the Leadership Discipling Team that actual annual compensation levels – as well as other aspects of the total compensation package – are best determined through the mutual conversation of congregational leaders and their called/rostered staff .

SIERRA PACIFIC SYNOD (2011-2012 Edition)
Clergy Compensation Development Worksheet

STEP 1	DETERMINING <u>BASELINE</u> COMPENSATION	FORMULA
<p>BASILINE COMPENSATION</p>	<p>The Sierra Pacific Synod in Assembly annually sets a "Baseline Compensation" for its rostered leaders guided by the admonition: "Let the elders who rule well be considered worthy of compensation, especially those who labor in preaching and teaching; for the scripture says ... 'The laborer deserves to be paid'." (1 TIMOTHY 5:17ff.) This passage points to the need for regular performance reviews and regular compensation reviews for those who are called to congregational leadership.</p>	<p>Baseline Compensation includes what has been previously referred to as "salary and housing allowance". <i>(It is important to note that the amount of compensation actually designated as "Housing Allowance" must be recorded as a vote of the congregation's Council/Board prior to the beginning of the year.)</i></p> <p>For the year 2011 that amount is \$48,000 (Note that, if the terms of call are less than full time, this figure should be adjusted accordingly in consultation with synodical staff. Likewise, adjustment is made if the congregation provides housing via a parsonage arrangement.)</p> <div style="border: 1px solid black; padding: 10px; text-align: center; margin: 20px auto; width: 80%;"> <p>BOX A: \$48,000</p> </div>
<p>LOCALIZED COST-OF-LIVING ADJUSTMENT</p>	<p>The Sierra Pacific Synod covers a large, economically diverse area with housing costs which vary widely. This "cost-of-living" adjustment to the base compensation is intended to acknowledge that diversity.</p>	<p>Determine the median single-family home price in your community [the primary zip code(s) served by your congregation] at zillow.com. Write that figure here:</p> <p style="text-align: center;">\$_____</p> <p>The localized cost-of-living adjustment is annually 1% of median single-family home price. (For example, \$4500 in a community where the median single family home price is \$450,000.) Write that figure in Box B below. (Note that this is NOT "housing allowance" as defined by IRS regulations but rather a way to acknowledge higher costs of housing in many of our congregational service areas.)</p> <div style="border: 1px solid black; padding: 10px; text-align: center; margin: 20px auto; width: 80%;"> <p>BOX B: \$_____</p> </div>
<p>ADJUSTED BASELINE COMPENSATION</p>	<p>In this step, the Localized Cost-of-Living Adjustment is added to the synodical-approved Baseline Compensation, determining the "Adjusted Baseline Compensation" for clergy serving in your congregation. Such factors as position, experience and additional degree work will be considered in Step 2 below.</p>	<p>Add Box A and Box B to get the "Adjusted Baseline Compensation" for your congregation. (It is noted that some current clergy salaries may be below this Baseline figure. If such is the case, the Synod expects the development of a specific and mutually-agreeable written plan to bring compensation up to this Baseline level within 3 years. Synodical staff and/or the synod's "Compensation Consultants" are able to assist in developing such a plan.)</p> <div style="border: 1px solid black; padding: 10px; text-align: center; margin: 20px auto; width: 80%;"> <p>BOX C: (Box A + Box B) \$_____</p> </div>

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STEP 2	DETERMINING Compensation RANGE ADJUSTMENTS	FORMULA
YEARS OF EXPERIENCE	As per most professional compensation systems, we acknowledge the value of acquired skills, wisdom, and experiences that can only come from actual pastoral experience.	Credit one point for or each year of service as an ordained pastor (up to a maximum of 40) in Box D. BOX D: _____ points
LONGEVITY IN CURRENT CALL	Research has established that vibrant long-term pastorates are often associated with congregational vitality. We seek to reflect our shared valuing of healthy, longer-tenured pastorates with this adjustment.	Credit one point for each year of service in one's current call (up to a maximum of 10) in Box E. BOX E: _____ points
YEARS OF RELATED NON-PASTORAL EXPERIENCE	Increasingly, persons with prior experience in relevant fields enter rostered ministry in our church. We seek to acknowledge the value of prior experience <u>in relevant fields</u> (i.e. teaching, finance, counseling, administration, social work, etc.) with this adjustment.	Credit is given for each year of prior experience in a relevant field. Multiply those "years of significant prior experience" by .5 [# years x .5 /up to a maximum of 8 points) and credit in Box F. BOX F: _____ points
FURTHERED EDUCATION	Lutherans have long expected that their pastoral leaders be well-educated. This credit seeks to account for and encourage life-long learning for leadership.	Credit is given (5 points) to those who have taken the time and made the commitment to earn a degree in a ministry-related field beyond the Master of Divinity level. (e.g. M.A., M.Th., D.Min., Ph.D., S.T.M.) If such is the case, enter 5 points in Box G. BOX G: _____ points
COMPENSATION ADJUSTMENT POINTS	Boxes D-G quantify the the value of experience and education a pastoral leader may possess. These factors will become a basis for adjustment to compensation.	Add together the credits in Boxes D, E, F and G to create a "point total" and write that number in Box H. BOX H: _____ point total

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STEP 3	NEGOTIATING ACTUAL Compensation	FORMULA
ADJUSTED BASELINE COMPENSATION	Step 1 (Boxes A, B and C) allowed you to determine the Baseline level of Compensation for a pastor serving in your community.	Transfer the amount recorded in Box C on page one of this form to the right-hand column. <div style="border: 1px solid black; padding: 10px; width: fit-content; margin-left: auto; margin-right: auto;"> BOX C: (Box A + Box B) \$ _____ </div>
COMPENSATION ADJUSTMENT	Step 2 (Boxes D, E, F and G) comprise a point total which quantifies an appropriate adjustment to compensation. The modifier is equal to 2% of the synodically-identified Baseline Compensation figure. For 2011-2012, the value of that modifier is set at \$960 per point.	The number of points recorded in Box H, multiplied by the point modifier, quantifies the added value of your pastor's experience and education. Complete that calculation to determine the dollar figure for Box J. <div style="border: 1px solid black; padding: 10px; width: fit-content; margin-left: auto; margin-right: auto;"> BOX J: (Box H x \$960) \$ _____ </div>
APPROPRIATE COMPENSATION	By adding the "Adjusted Baseline Compensation" and the "Compensation Adjustment" figures together, you will be able to determine an appropriate compensation for your pastoral leader.	Add Box C and Box J together and write that figure in Box K. <div style="border: 1px solid black; padding: 10px; width: fit-content; margin-left: auto; margin-right: auto;"> BOX K: (Box C + Box J) \$ _____ </div>
NEGOTIATED PASTORAL COMPENSATION FOR 2011/2012	<p>Although the Synod may produce helpful guidelines and Baseline Compensation levels, congregations ought annually review and revise Compensation for their rostered leaders. Acknowledging the figure in Box C as a "baseline" and Box K as "appropriate", it is the responsibility of the congregation to determine actual annual compensation. During the course of the conversation, consider the following questions:</p> <ul style="list-style-type: none"> • <i>Does our pastor bring any special skills to the position that ought be rewarded?</i> • <i>Does our pastor bear significant added administrative / leadership responsibility?</i> • <i>Has our pastor met her/his mutually-predetermined ministry goals during the past year?</i> • <i>Are we expecting our pastor to take on any significant responsibilities this year?</i> • <i>Are there any unique financial stresses which we ought seek to accommodate so as to allow our pastor to better serve our community?</i> <p>The figure entered in Box L represents our mutually-negotiated pastoral compensation for the coming. (Adjusted accordingly if the terms of call are less than full time, or if use of a parsonage is included as a portion of compensation.)</p> <div style="border: 1px solid black; padding: 10px; width: fit-content; margin-left: auto; margin-right: auto; margin-top: 20px;"> BOX L: Our Pastor's Compensation for 2011/2012 \$ _____ </div>	

Definition of Compensation, Benefits and Responsibilities of the Pastor

HOUSING ALLOWANCE DECLARATION FOR IRS (PASTORS ONLY)

Under the IRS tax code, Clergy are allowed a tax advantage by declaring a portion of their income to be a Housing Allowance. The Adjusted Minimum Salary for Clergy in the Compensation Worksheet includes both Salary and Housing Allowance. Each Clergy person must determine what portion of their income should be designated as their Housing Allowance. This amount must be designated in a church council meeting prior to the beginning of the year. (See box below). The amount allocated as housing allowance is limited by the actual costs, the amount designated by the congregation, or by the fair rental value in the community. Clergy are strongly urged to consult with a tax professional to determine their Housing Allowance and should keep abreast of the latest IRS regulations. Annually, a housing allowance designation statement should be included in the minutes of the Congregational Council. A sample housing allowance designation form follows:

Designation of Housing and/or Furnishings Allowance by Congregational Council

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

Signed by an officer of the Congregation:

_____ Date: _____

PLEASE NOTE: The Housing Allowance is NOT the same as Box B in the Clergy Compensation Development Worksheet entitled "LOCAL HOUSING ADJUSTMENT". Please read the instructions for each carefully. Mis-stating one's Housing Allowance can have tax complications.

PARSONAGE PROVISIONS FOR PASTORS

Where a congregation provides a parsonage, the congregation should assume all costs for maintenance, heat and utilities. They may pay these costs directly or give an allowance to the pastor sufficient to cover the expenses. In addition to these costs, the congregation should provide and maintain major appliances in the parsonage. If a parsonage is provided, the congregation is encouraged to provide the pastor an annuity for future housing needs of its pastor. For this purpose, the congregation may want to establish a "Housing Equity Account" by making additional employer contributions to the ELCA Optional Pension Plan. It is recommended that these contributions total at least 3% of the defined compensation (Salary & Cash Value of Parsonage).

AUTOMOBILE EXPENSE REIMBURSEMENT

Automobile expense and other work-related travel are a business expense for the congregation and should not be reported to the congregation as part of salary. The preferred manner of automobile expense reimbursement involves the congregation reimbursing the pastor for actual business miles traveled at a specified rate per mile that shall be based on the current IRS automobile mileage allowance. (In order for this not to be income, a record of mileage expenses must be submitted for reimbursement.)

PROFESSIONAL EXPENSES

The congregation should provide for professional expenses incurred in the performance of the duties of the pastoral office. It is recommended that a minimum of \$200 be granted annually. In addition, the congregation should pay all expenses incurred by the pastor for attending required meetings and events (i.e., synod assembly, professional leaders' conference).

CONTINUING EDUCATION

Continuing-education time should be provided for pastors for updating skills and for professional growth in order to strengthen their ministries. This time should be considered as necessary for improving and building ministry - it is not vacation time. It is recommended that a minimum of two weeks and \$1,200 be granted annually, accumulative

up to three years. The ELCA expects a minimum of 50 contact hours annually in continuing education. A contact hour is defined as a typical 50-minute classroom instructional session or the equivalent. Continuing education may be courses, seminary classes, workshops, or independent study, when directed toward a specific goal. Each year the pastor's continuing-education plan should be developed in consultation with the congregation's council or appropriate ministry team.

FIRST CALL THEOLOGICAL EDUCATION (FCTE)

New seminary graduates are required to participate in First Call Theological Education, which means they must take at least 50 continuing-education hours per year for the first three years of their ministry. The congregation that calls a new graduate will submit \$400 (of the \$1,000 total) annually to the Region 2 Office for the cost of the program, as well as grant the pastor the time for the two Core Events each year and Colleague I meetings (once every 4-6 weeks). This cost is a part of the continuing-education money granted a pastor when a Letter of Call is issued.

PERIODICALS, BOOKS AND PUBLICATIONS

Expenses acknowledged by the IRS such as periodicals, books and publications shall be shared by the congregation. It is recommended that a minimum of \$250 be granted annually.

VACATION

A paid vacation of at least four weeks, including four Sundays, shall be granted to the pastor and the cost of pulpit supply for these absences shall be borne by the congregation. Time spent in outdoor ministries or retreats with congregational youth, adults, or family groups should not be considered as vacation time when it is part of the church program/job-related activity.

HOLIDAYS

When a Federal Holiday falls on a Pastor's regular day off, the Pastor in consultation with the Church Council may schedule additional time off during that week.

SICK LEAVE

Congregations are to provide sick leave up to 60 days with full salary, housing and benefits, and provision for partial disability thereafter as agreed upon, coordinated with ELCA pension and benefit guidelines.

DISABILITY

In order to avoid awkward and hardship situations, both for clergy families and for the congregation, it is recommended that each congregation develop an explicit written policy relating to permanent disability. In case of disability, it is expected that the congregation continue to pay full salary, housing and benefits contributions for the first 60 days of disability, until the disability benefits of the ELCA Pension Plan go into effect. Any period of disability (beginning date, length, and return to active duty) should be based on a physician's recommendation. Congregations may wish to consult with an insurance company to arrange this coverage for the first 60 days at a minimal annual cost rather than being faced with major expenses should disability occur. (All ELCA pension benefits coordinate with the benefits of Social Security or other governmental benefits. Disability benefits for pastors who have chosen to opt out of Social Security would be reduced by the amount of benefits Social Security would have paid.)

FAMILY LEAVE

Caring for children and parents is a high priority. Where applicable, parental leave up to six weeks, with full salary, housing, and benefits, is standard ELCA policy. In the event of a medical emergency or death within the pastor's family, up to three weeks of paid leave is recommended. Additional information can be found in the Treasurer's Packet from the Board of Pensions.

STEPS TOWARD APPROPRIATE PASTORAL COMPENSATION

The Sierra Pacific Synod of the Evangelical Lutheran Church in America

For use from July 1, 2011 to June 30, 2012

FOR CONGREGATIONS WITH PASTORS IN CONTINUING CALLS

Annual Ministry Review and Goal Setting.

Conducting a fair and realistic review of ministry is important for every congregation. An annual ministry review takes into consideration not only the leadership qualities of the pastor, but also the ministry provided by lay leaders and members of the congregation. Once a congregation establishes a ministry review process, periodic checks can help to keep ministry on track. An annual review process can become a vital routine for healthy congregations of all sizes.

Acknowledge and Celebrate Current Congregational Commitments

Thankfully recognize those aspects which have been included as a portion of the total pastoral compensation package that has been in place during the past twelve months. Has your pastoral compensation package included:

- A 7.65% offset for Social Security/Medicare? (Because current tax laws treat pastors differently than lay employees, it is expected that congregations offer their called staff an additional 7.65% of salary and housing income to cover what would traditionally be the “employer-contribution” to Social Security and Medicare taxes.)
- Participation in the ELCA Board of Pensions Insurance program for the pastor and her/his family?
- Participation in the ELCA Board of Pensions Retirement Plan at the standard level?
- Any additional pre-tax contributions to the pastor’s Retirement Plan?
- Funding continuing education for your pastor at a level of not less than \$1000 / two weeks per year? (Congregations should budget at least \$1000 per year to provide part of the cost for tuition, travel, and books. The pastor or associate in ministry is expected to contribute at least \$200 annually for continuing education. A minimum of 25 contact hours per year of continuing education is required of every pastor and associate in ministry of the ELCA.)
- Funding participation in the First-Call Theological Education program of Region II for those who are first-call pastors? (The ELCA expects pastors in their first calls to participate in First Call Theological Education. In our Synod, that means participating in Core Events, usually twice a year. Typically a budget of \$1000 per year for three years is more than enough to cover the annual fee, travel and pulpit supply.)
- Funding participation in the Sierra Pacific Synod’s annual Professional Leaders Retreat (held in the fall of each year)?
- Pre-funding your pastor’s sabbatical? (The Sierra Pacific Synod expects congregations to establish of pastoral sabbatical policies in order to provide extended study and renewal time to equip pastors to better serve the congregation’s future mission and ministry. Normally, pastoral staff are eligible for a 3 month sabbatical every 7 years, with full salary and benefits being continued during the sabbatical.)

If the above listed items were not included in your pastor’s 2011 Compensation Package, you are

strongly encouraged to include them in your coming year's financial planning.

Complete the “2011-2012 Clergy Compensation Development Worksheet.”

Completing this worksheet will provide your congregation's leadership team with levels of appropriate compensation for your pastor. Using the figure in Box C as a “baseline” and Box K as “appropriate”, it is the responsibility of the congregation and its pastor to mutually determine actual annual compensation.

Allocate a Portion of the Pastor's Compensation as “Housing Allowance.”

As ordained ministers, E.L.C.A. clergy are qualified to declare a portion of their income as housing allowance. The amount of compensation designated as housing allowance must be recorded as a vote of the congregation's Council/Board prior to the beginning of the year or prior to when the housing allowance begins. The Internal Revenue Service regulations indicate the designated housing allowance may not exceed actual housing costs. The pastor should identify the particular amount to be designated for housing allowance in the upcoming year, and that amount should be ratified by the church/congregational council using the verbiage listed below:

Designation of Housing and/or Furnishings Allowance by Congregational Council

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

Signed by an officer of the Congregation: _____

Date: _____

as reviewed March 23, 2011

STEPS TOWARD APPROPRIATE PASTORAL COMPENSATION

The Sierra Pacific Synod of the Evangelical Lutheran Church in America

For use from July 1, 2011 to June 30, 2012

FOR CONGREGATIONS WITH PASTORS IN NEW CALLS

Congratulations as you work to call a new pastor into service in your congregation! As you anticipate your new pastor's arrival, it is a good time to clarify ways in which you can appropriately compensate and support her/him in service. The following steps will help you clarify the many aspects of appropriate compensation packages as related to the call you seek to extend:

Understand That "Paychecks" Are but One Aspect of Appropriate Compensation of Pastoral Leaders

Does your compensation proposal include:

- A 7.65% offset for Social Security/Medicare? (Because current tax laws treat pastors differently than lay employees, it is expected that congregations offer their called staff an additional 7.65% of salary and housing income to cover what would traditionally be the "employer-contribution" to Social Security and Medicare taxes.)
- Participation in the ELCA Board of Pensions Insurance program for the pastor and her/his family?
- Participation in the ELCA Board of Pensions Retirement Plan at the standard level?
- Any additional pre-tax contributions to the pastor's Retirement Plan?
- Funding continuing education for your pastor at a level of not less than \$1000 / two weeks per year? (Congregations should budget at least \$1000 per year to provide part of the cost for tuition, travel, and books. The pastor or associate in ministry is expected to contribute at least \$200 annually for continuing education. A minimum of 25 contact hours per year of continuing education is required of every pastor and associate in ministry of the ELCA.)
- Funding participation in the First-Call Theological Education program of Region II for those who are first-call pastors? (The ELCA expects pastors in their first calls to participate in First Call Theological Education. In our Synod, that means participating in Core Events, usually twice a year. Typically a budget of \$1000 per year for three years is more than enough to cover the annual fee, travel and pulpit supply.)
- Funding participation in the Sierra Pacific Synod's annual Professional Leaders Retreat (held in the fall of each year)?
- Pre-funding your pastor's sabbatical? (The Sierra Pacific Synod expects congregations to establish of pastoral sabbatical policies in order to provide extended study and renewal time to equip pastors to better serve the congregation's future mission and ministry. Normally, pastoral staff are eligible for a 3 month sabbatical every 7 years, with full salary and benefits being continued during the sabbatical.)

Complete the "2011-2012 Clergy Compensation Development Worksheet."

Completing this worksheet will provide your congregation's leadership team with levels of appropriate compensation for your incoming pastor. Using the figure in Box C as a "baseline" and Box K as "appropriate", it is the responsibility of the congregation (in conversation with its pastor) to determine actual annual salaries.

Allocate a Portion of the Pastor's Compensation as "Housing Allowance."

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Signed by an officer of the Congregation:

_____ Date: _____

Agree Now on Procedures for Annual Ministry Review and Goal Setting.

Fair and realistic review of ministry is important both to congregations and their pastors. An annual ministry review takes into consideration not only the leadership qualities of the pastor, but also the ministry provided by lay leaders and members of the congregation. Once a congregation establishes a ministry review process, periodic checks can help to keep ministry on track. An annual review process can become a vital routine for healthy congregations of all sizes.

as reviewed March 23, 2011