

2023-2024

Indiana-Kentucky Synod

COMPENSATION STANDARDS for MINISTERS OF WORD AND SACRAMENT and MINISTERS OF WORD AND SERVICE

As Approved by the
Indiana-Kentucky Synod Assembly
June 10, 2023

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Dear Friends in Christ Jesus,

We're pleased to present to you the 2023-2024 Indiana-Kentucky Synod Compensation Standards for ELCA Rostered Ministers (Pastors and Deacons). We provide these for your use in determining just and honorable salary, benefits, allowances, and reimbursements for your professional staff. This document and the accompanying Excel spreadsheets are the best tools we have to enable you to make these decisions in a collaborative atmosphere with your co-workers in the gospel who give their lives to the ministry of Jesus Christ with you in your congregation.

Please use the standards in such a manner that there is good conversation between you and your rostered minister(s), whether they are currently serving in ministry or you are engaged in the call process. If determining compensation as part of the budget process, it is wise to begin these discussions at least four months before your congregation's next fiscal year, in an open manner with your executive committee and each staff professional. These standards contain information to assist discussion about issues relating to compensation and benefits, following established standards across the Evangelical Lutheran Church in America. The IN-KY Synod Compensation Committee has developed Excel spreadsheets to aid in the process of calculating and determining compensation packages for pastors and deacons.

Rostered Ministers are strongly encouraged to take the initiative in this conversation with congregation leaders since you are the ones who should understand your needs and desires. Don't expect your congregation leaders to be mind readers. They are waiting for you to be a leader.

Since age is now a factor (along with geography and total amount of compensation) in figuring health benefits rates there is no longer a chart with percentages for the coming year. Contact Portico Benefit Services (formerly ELCA Board of Pensions) by phone (800-352-2876) or e-mail (mail@porticobenefits.org) for information and assistance, or use the Benefits Calculators available on the EmployerLink section of their website: <https://employerlink.porticobenefits.org/>.

If you desire assistance with any matter in this document, or have a question not addressed in the document, please do not hesitate to contact any of our committee members directly through the Indiana-Kentucky Synod office. Please note that all web links were current and functional at the time this document was prepared.

These Standards are recommended by the IN-KY Synod Council for adoption by the Indiana-Kentucky Synod in Assembly, June 10, 2023, and, upon adoption, become the appropriate norm for use in a current call process or in current conversation around compensation for a rostered minister under call.

Please note that this is now a unified compensation standards document which contains some separate sections pertaining to aspects of compensation that are unique to Ministers of Word and Sacrament (Pastors) and Ministers of Word and Service (Deacons). Separate spreadsheets for pastors and deacons exist here, <https://iksynod.org/compensationspreadsheets/>, to aid you in this process.

With joy in the Gospel of Jesus Christ,

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Indiana-Kentucky Synod Rostered Ministers Compensation Committee

How to Plan Compensation with Your Rostered Minister(s) for 2023-2024

Often one of the most difficult challenges in ministry is deriving a fair and equitable compensation for the rostered minister(s) in your congregation. Generally, this has not been addressed until late in the process of preparing a new budget for the following year. This is a mistake since it often results in frustration for both the rostered minister(s) and those trying to make decisions with regard to salary, benefits, and reimbursements. The following guidelines should make this process pleasant and honest.

The first step is to begin your process with prayer. Second, know that your rostered minister(s) are not ‘hired’, they are ‘called’ into ministry with you, alongside the congregation.

It is extremely important that the rostered minister(s) be involved in this planning from the beginning to the end since they are the persons most affected by the final outcome. It is often difficult to talk about money and benefits, but it should not be. Good communication can, and must, occur at each step of this process.

1. Who should be in the planning process: The process should include the rostered minister(s) and a select group of leaders such as the Executive Committee of Council, the Mutual Ministry committee, or a personnel team if your congregation has one. These are the people who can best assess the minister’s effectiveness and his/her/their own needs, and have a grasp of the church’s finances. Having too many in the meeting will slow communication and reduce effectiveness of the meetings. These are closed meetings and not open to the congregation for the purpose of maintaining a high level of open, honest, and healthy communication among the various leaders present.
2. What areas should be explored in the meetings: There are two areas of discussion: effectiveness and need. Start with need, including the current compensation each rostered minister is receiving. Compensation of the minister is no secret to the congregation, because it is normally listed in the annual budget and/or annual report to the congregation. It includes, but is not limited to, the following areas: base salary, defined benefits (including housing allowance or equity allowance in the case of a church-owned parsonage), social security offset, retirement and full health care/basic group life/disability insurance, continuing education, book allowance, reimbursements (car allowance, other tangibles applicable to your setting). Go through these step by step. Ask the minister at each juncture if he/she/they has any input that would be germane to the discussion: they alone know precisely how the current mix of salary, benefits, and reimbursements affects her/him/them. In some cases, your rostered minister is below approved Synod established minimum Compensation Standards. This needs to be discussed and remedied. Do this early in the process, preferably in early or mid-August, or four months before your congregation’s new fiscal year. Take a lot of notes during the meeting and share those written notes that week with members present and not present.
3. The next step is to address the effectiveness of the rostered minister(s): It is never a question of how hard a person works, or how many hours, but what gets done and the effectiveness of the work. This is without doubt the most difficult area to quantify. Effectiveness is always a subjective judgment call at best. What one person might find important, another does not. Is sitting with the family during a routine surgery of a loved one important? Is reading and preparation for sermons/meetings/teaching/Scripture study and prayer important? Is visiting regularly in the homes of church members important? Remember, much of what a pastor or deacon does is confidential, and thus cannot be judged in terms of effectiveness. Effectiveness is always, at best, a judgment call. Depending on each individual, subjective value judgments often

are completely different. It has been said that every pastor or deacon has as many bosses as there are baptized members in the congregation. If that is true, then not all will be satisfied with the ministry at any given time, and the minister will not be a leader at all, but a hireling. Some will want the minister to be a chaplain, someone to take care of them and others in the congregation. Some will want the pews packed on Sunday and the offering plate full and will expect that to be the responsibility of the rostered minister. Some will want the rostered minister to prepare congregational members for leadership and provide vision and clear focus for the total ministry.

Importance and effectiveness are linked together in each person's mind. These are difficult to separate though they are clearly not the same, and even can work against each other. Finally, who decides the rostered minister's effectiveness? We believe it is the responsibility of the Congregation Council, not the general congregation, nor the rostered minister. If the rostered minister works well with his/her/their Congregation Council, you have an effective leader in your setting. Pastors and deacons are called into ministry together with you. This responsibility to be collaborative in ministry begins with the rostered minister(s). If assistance is needed to improve the cooperative ministry, use all resources available, especially Synod staff.

4. How to derive Total Compensation for the coming year: After you have completed the previous steps of the process, bring the entire group together to put the pieces together. Start with the effectiveness component that will help you determine how you will address the IN-KY Synod Rostered Ministers Compensation Standards for next year. Review all the sections in the Compensation Standards and complete the steps of the applicable compensation spreadsheet(s) that are provided on the IN-KY Synod's website: <https://iksynod.org/compensationspreadsheets/>. Together, discuss the various components at length, if necessary. After you have determined the appropriate defined compensation for the next year, discuss other financial matters such as the annual delegation of housing allowance, continuing education funds, professional expenses/reimbursements and the package of benefits through Portico (retirement and full health care/basic group life/disability insurance). When this part of the process is completed, take time to review it one more time as you discuss it together with your rostered minister(s). Let your rostered minister take the initiative here. Once again, it is he/she/they that will be most affected by this decision.

Hopefully, everyone will have had much time to pray, think, and discuss this very important part of your ministry. You honor the Lord God, your congregation, and your pastor/deacon by following the steps of this simple process. By God's grace you will all enjoy this unhurried process and come away from your meeting closer to one another and your Lord God. If you have questions or need resource materials, do not hesitate to contact any member of the Indiana-Kentucky Synod Rostered Ministers Compensation Committee through the synod office or the Indiana-Kentucky Synod staff for assistance. We stand ready to help you at any time.

In shared ministry with you,
Indiana-Kentucky Synod Rostered Ministers Compensation Committee

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I. DETERMINING COMPENSATION

Compensation spreadsheets (<https://iksynod.org/compensationspreadsheets/>) have been developed to assist rostered ministers and ministry settings in the process of determining annual compensation. The same spreadsheets are used whether you are engaged in the call process or reviewing the compensation of a current rostered minister in preparation for the next fiscal year and budget. These have been developed in part to keep the IN-KY Synod's compensation figures in alignment with neighboring and similar sized synods, and to help ensure equity and appropriate compensation in a variety of ministry settings and locations within this synod. There are separate spreadsheets for pastors and deacons because of the differences in housing allowance and social security allowance. The sections below will give more information on each step of the process, but the online spreadsheets also have instructions to guide you through each step.

In many congregations, a specific committee is asked to have primary concern for this ministry to the pastor/deacon and his/her/their family. Normally this is either the Executive Committee of council, the mutual ministry committee, or a personnel team if your congregation has one. The key task of such a committee is to discuss annually with the pastor/deacon a fair, honorable, and equitable compensation package. Since the pastor/deacon depends on the congregation Council and the congregation to make adequate provision for his/her/their financial needs, the pastor/deacon requires an opportunity to discuss those needs in an open and supportive forum. The Executive Committee is in a position to provide such a forum. The committee can receive data from the rostered minister about his/her/their financial needs and subsequently make recommendations to the Congregational Council.

When calling a new pastor/deacon, care should be taken to have a healthy conversation about compensation. This shall be done by the Congregation Council as part of their interview with the candidate. The Council shall present to the candidate a compensation package based on these standards and invite the candidate's response before it is presented to the congregation for vote. It is important to have an open and honest conversation now, as this will set the tone for future compensation conversations. The Council will recommend a package to the congregation that has been agreed upon by Council and the candidate. The compensation will be voted on by the congregation at the Call Meeting.

The sections below correlate with the online Pastor/Deacon Compensation Spreadsheets (<https://iksynod.org/compensationspreadsheets/>) to give more information and guidance on how to use the spreadsheets to determine compensation for your rostered minister(s).

STEP 1 – DETERMINING BASELINE COMPENSATION

The baseline compensation is set each year by the Indiana-Kentucky Synod Assembly as an appropriate compensation for a rostered minister just starting their ministry; it takes into account changes in the cost of living as well as other financial variations in our country. It includes what was formerly separate figures: a base salary and housing allowance. Increases to this baseline compensation will be addressed in step 2 to account for ministry experience, complexity of ministry, previous work history, etc., and appropriate decreases will be adjusted in step 3 for rostered ministers who are not under a full-time call or who live in church owned housing (parsonage).

A localized adjustment is also included to account for the vast differences in communities and housing prices across Indiana and Kentucky. It will be important for church leaders to know the median value of

homes in the area surrounding the ministry site to help determine this aspect of compensation. One resource to use to assess median home values comes from the National Association of Realtors: <https://www.nar.realtor/research-and-statistics/housing-statistics/county-median-home-prices-and-monthly-mortgage-payment>

Note: Honorariums or other fees received for weddings, funerals, outside speaking engagements, or from any other source should not be considered when determining the baseline compensation, nor should any income received by the spouse be a consideration.

STEP 2 – DETERMINING ADDITIONAL COMPENSATION

Utilizing the baseline compensation, the spreadsheets use *a point system* to determine additional compensation. Each point equals 1% of the adjusted baseline compensation. There are many factors to consider in determining this additional compensation:

- Years of ordained ministry service
- Non-rostered work experience: it is recommended that a rostered minister's previous work experience be considered at a ratio of 3 years non-rostered to 1 year rostered, up to a maximum of 24 years of non-rostered work experience (equivalent to 8 years of rostered ministry service).
 - *Note: years of service (rostered and non-rostered) are converted into points on a sliding scale. The first year counts as 1 point, and each year afterwards counts slightly less, never dropping below 0.5 points.*
- Additional education beyond the entry level training required for a pastor/deacon: e.g. M.A., M.Th., D.Min., Ph.D., Th.D., S.T.M. in a ministry related field; or if the rostered minister has completed over 450 hours of Continuing Education (minimum of 3 points).
- The complexity and responsibilities of a specific call: serving in a shared/multi-point ministry setting (minimum of 5 points), a congregation with multiple full-time equivalent staff¹ (minimum 10 points), or other ministry roles with expanded responsibility (additional points appropriate to the role).

STEP 3 – DETERMINING RECOMMENDED COMPENSATION

Every ministry setting and every rostered minister's call will be unique. This section of the worksheet considers the baseline compensation, any factors that would increase the pastor/deacon's compensation above that baseline, but also any factors that might cause it to decrease, such as this being a part-time call or if the rostered minister will be living in a church owned home (parsonage).

Parsonage Adjustment – If the pastor will be living in the church owned parsonage, the worksheet will reduce the total Paid Compensation to account for the congregation's parsonage costs but include the parsonage value for Defined Compensation and Portico benefit purposes. For congregations with a parsonage, it is fully expected that the congregation must pay the taxes, insurance, maintenance, and all utilities of the home.

The final blue box (Amount R for pastors, Amount O for deacons) in this section gives the minimum recommended compensation.

¹ Neither Indiana nor Kentucky define "full-time." However, the Affordable Care Act defines a full-time work week as 30 hours or more for more than 120 days in a year. This would be the standard that we would recommend.
<https://www.healthcare.gov/glossary/full-time-employee/>

STEP 4 – DETERMINING DEFINED COMPENSATION

The previous 3 steps of the worksheet are designed to provide the rostered minister(s) and congregation with an appropriate compensation minimum to be used in determining an agreeable final compensation. This is an area where other factors not included in this spreadsheet may be taken into account, such as the rostered minister's contribution to past ministry goals, additional responsibilities or anticipated changes in the future, the current financial realities of the ministry, unique financial stresses (including student loan debt), etc.

Defined Compensation is the figure used by Portico for determining the cost of benefits, retirement contribution, etc. It includes the final negotiated compensation (and value of the parsonage if pastor lives in church owned property) along with the Social Security employer contribution amount. For a pastor living in a parsonage, the amount of Defined Compensation will appear higher than the Paid Compensation due to the value of the parsonage being included.

Self-Employed Contributions Act (SECA) Allowance

- **For Pastors:**

1. For purposes of Social Security and Medicare, pastors are classified as self-employed. For purposes of income tax, pastors are considered employees, which makes their tax situation unique.
2. Currently, Social Security tax and Medicare is 7.65% (6.2% SS and 1.45% Medicare) for both an employer and for an employee.² That means an employee pays one half of the total Social Security assessed tax, and an employer pays the other half. Pastors are in a unique situation in that according to the Social Security Administration ordained professionals are classified as “self-employed.” This means pastors pay the entire 15.3% tax under SECA. For income tax purposes, pastors are NOT considered self-employed, but instead viewed as employees and thus are issued a W-2 like all other employees. This is a complex payroll situation, and it is recommended that you consult a tax professional who is knowledgeable in clergy taxation if you have further questions.
3. Throughout the ELCA nearly all 65 Synods strongly recommend that all congregations pay half of the SECA which equals 7.65%. This is also our recommendation. This should not be withheld and remitted by the employer, but must be paid by the pastor directly. This is paid to the pastor at the end of each pay period, along with all other compensation. At the end of the calendar year, this amount is fully taxable and reported on the W-2 issued to the employee. Currently, the vast majority of congregations of the ELCA abide by this recommendation. Remember this is not a “bonus” (i.e., in addition to salary) from the congregation any more than it is a “bonus” to any employee who works in a secular vocation and has this paid by the employer. (See Internal Revenue Service Publication 15³ for further guidance).

² <https://www.ssa.gov/news/press/factsheets/colafacts2022.pdf>

³ <https://www.irs.gov/pub/irs-pdf/p15.pdf>

4. The SECA allowance for pastors is determined by the worksheet and reflected in Amount U on line 48.

- **For Deacons:**

1. Deacons are classified as employees for all tax purposes.
2. Congregations shall pay the employer portion of federal, state and local payroll taxes, and withhold the employee portion of the deacon's federal, state and local payroll taxes to remit it with the employer's amount.
3. The SECA allowance has not been included on the deacon compensation worksheet because the ministry setting is required by law to pay the employer portion of FICA as it would for any other employee as classified by the IRS.

STEP 5 – DESIGNATING HOUSING/FURNISHING ALLOWANCE FOR TAX PURPOSES

- **For Pastors:**

1. Once the Paid Compensation is determined, the pastor determines the portion to be designated as Housing Allowance. The Congregation Council must approve this amount annually in advance of the start of the calendar year and record it in the council minutes (see #3 below and the sample resolution below step 5 on the spreadsheet). The overall amount of Paid Compensation will not change by this designation. (See [Appendix A](#) for more information.) When the housing allowance is designated in advance, and to the extent it is actually used, it is considered non-taxable for income tax purposes for the pastor.
2. Pastors living in a parsonage should also designate a small portion of their Paid Compensation as a Housing Allowance to cover out of pocket expenses such as furnace filters, cleaning supplies, landscape expenses, etc. that are not paid for by the congregation. The amount of the allowance may depend on several factors: whether or not the parsonage is furnished, who provides the upkeep, pays the utilities, etc. When the furnishings allowance is designated in advance, and to the extent it is actually used, it is considered non-taxable for income tax purposes for the pastor.
3. **Sample Housing Allowance Resolution:** After considering the estimate of Rev. _____ of his/her/their home expenses, a motion was made by _____, seconded by _____ and passed to adopt the following resolution:

RESOLVED, that the Rev. _____ for the calendar year 2023 will receive a salary of \$ _____ and a housing/furnishings allowance of \$ _____ .

- **For Deacons:**

1. Ministers of Word and Service are considered employees by the IRS for purposes of Social Security and income taxes and require standard withholdings from their salaries. A standard W-2 is issued. Congregations are encouraged to consider costs of local housing in determining compensation for all staff members. Even though Deacons are now ordained as their entry rite onto the roster of the ELCA, the ELCA has not taken a position on whether Ministers of Word

and Service qualify for the clergy housing allowance.⁴ Therefore, the salary standards are based on the fact that a housing allowance is not added to their base salary when determining compensation. (See [Appendix B](#) for more information.)

II. BENEFITS

Benefits are provided through Portico Benefit Services, a ministry of the ELCA. To determine costs, go to the EmployerLink portion of their website and use the ELCA Traditional Benefits Calculators:

<https://employerlink.porticobenefits.org/>

The ELCA benefits program contribution rates are a percentage of Defined Compensation (with appropriate maximum and minimum health contributions). See Step 4 above for more details on how Defined Compensation is calculated.

A. Health Coverage Benefits

1. This document sets as the standard for the “Definition of Compensation, Benefits, and Responsibilities of Pastors/Deacons” as the **Portico Gold+ Plan or the Portico Silver+ plan with a fully funded HSA (\$900 per year for individual and \$1800 per year for family)**. A Letter of Call will be signed by the Bishop only when that standard is met to the satisfaction of the Bishop.
2. The standard expectation of this synod is that any congregation or eligible ministry setting will provide health coverage for the rostered minister and their family, unless the rostered minister’s family is covered elsewhere and chooses to waive coverage through Portico.
3. **Waiver of Health Benefits:** Some rostered ministers may elect to waive ELCA health benefits for themselves or their dependents because they have other valid health coverage, such as through a spouse’s employer, or because they receive a subsidy on a state or federal individual health insurance exchange *and* they purchase subsidized coverage through the individual exchange. See this section of the Portico EmployerLink for more information (login required to access this portion of the website):
<https://employerlink.porticobenefits.org/resources/waiving-or-changing-health-benefits>
 - i. When a pastor/deacon waives their own health coverage because of coverage through the insurance of a spouse, or waives the coverage of their spouse/family through Portico, the congregation is strongly encouraged to provide additional compensation to their salary to account for the cost of this health coverage elsewhere.
 - ii. This additional compensation may be taxable income unless a Health Reimbursement Arrangement has been established.⁵
 - iii. While this may provide a short-term financial benefit to the congregation, it may have a long-term impact when there is change in call or a change in the healthcare needs of the rostered minister.

B. Retirement Benefits:

⁴ The ELCA General Counsel made it known via an email to the ELCA Conference of Bishops on February 3, 2020, that they do not have the ability to obtain further guidance on this ruling from the IRS as the IRS has made it clear that it will not be issuing any additional private letter rulings on who qualifies as a minister for purposes of the clergy housing allowance.

⁵ <https://www.clergytaxnet.com/health-reimbursement-arrangement-churches/>

1. **The Synod recommends that congregations contribute the 12% retirement rate for all rostered ministers.** This 12% rate should be used whether the pastor/deacon is called full-time or part-time, as this percentage is calculated on their defined compensation and will therefore reflect a reduced amount if the pastor/deacon is not full-time.
2. Additional retirement contributions can be made by the rostered minister (member pretax).
3. If the employer chooses to make additional contributions from time to time, they can be included when paying the regular monthly bill by using the *Explanation of Payment* included in the monthly billing statement.

C. Housing Equity Fund:

1. If the pastor lives in a parsonage, congregations should establish an Equity Fund in the range of 3%-5% of Defined Compensation. Such contributions are made to Portico as a Housing Equity Contribution and are not included as taxable income.
2. These funds and their earnings enjoy a special flexibility: they can be withdrawn at any time, and when used to purchase a home, they are often excluded from taxable income.⁶

D. Other Benefits:

1. **Disability** – this coverage helps protect employees and their families should a serious injury or illness occur by providing 2/3 income replacement beginning the third month after disability.
2. **Life Insurance** – Participation in the ELCA Benefits Plan also includes a basic group life insurance policy and optional supplemental life insurance that the member can purchase for themselves and spouse/children.
3. Members may also elect to make contributions to qualified reimbursement accounts for health care, dependent care or other allowed expenses.
4. See www.porticobenefits.org for more information.

WHAT DO I DO WHEN I TURN 65?

To learn more about Medicare and how it can impact benefits and healthcare coverage with Portico go to these websites:

- Medicare Center for Medicare & Medicaid Services: <https://www.cms.gov/>
- Medicare: <https://www.medicare.gov/>
- Portico EmployerLink: <https://employerlink.porticobenefits.org/resources/turning-65> (login required to access)

⁶ Contact Portico for more information on making a Housing Equity Contribution as part of the rostered minister's benefits if the congregation utilizes a parsonage for housing. <https://employerlink.porticobenefits.org/>

III. PAID LEAVE

TIME OFF/ WEEKLY HOURS

Pastors/deacons, like anyone else, need some time off from work in order to rest and re-energize themselves. Congregations should ensure that each pastor/deacon has **two full days off per week**. The pastor/deacon's weekly schedule (days/hours) may be negotiated as necessary. For the well-being of the pastor/deacon and health of the congregation, such a schedule **should not exceed 50 hours in a work week**.

VACATION

Everyone needs a period of time away from the job in order to refresh and recharge themselves. The congregation should provide a minimum of four weeks of paid vacation per year (28 days, including the expected 2 days off per week, if full-time), including four Sundays for all rostered ministers. An additional week of vacation should be granted after 15 years of service in the ministry; and an additional week should be granted at 25 years in the ministry. If a rostered minister is serving in a part-time call, they should still receive 4 weeks of paid vacation for whatever their typical ministry days are, which includes 4 Sundays. Continuing education time is not to be regarded as vacation, nor should it be used by the professional leader for vacation under any circumstances.

Congregations in which the pastor/deacon has served for an extended period of time should consider additional vacation time. All costs and procurement of ministry coverage during vacation times, including worship leadership supply, are the responsibility of the congregation. A list of available pulpit supply may be secured from the synod website (<https://iksynod.org/pulpit-supply-list/>).

HOLIDAYS

Because of the nature of their professional responsibilities, pastors are seldom able to take advantage of three-day weekends and other holidays such as Christmas, Easter, etc. Generally, 9 to 11 total holidays should be granted **plus three floating personal days** at the discretion of the Congregation Council. Consideration should be given, and the pastor/deacon should be encouraged to take these days off at another time during the week to compensate for these holidays. This should not be counted as vacation time. Consult the annual list of federal holidays and state/commonwealth holidays as a basis for the conversation on what dates will be agreed to by the congregation council and pastor/deacon for holidays in a particular year.

CONTINUING EDUCATION

The purpose of continuing education for pastors/deacons is to strengthen the professional for more effective service. The ELCA expects a minimum of 25 contact hours annually in organized continuing education. These experiences are to be with colleagues and under responsible sponsorship, capable directors, and qualified instructors.

Continuing education may range from a single day seminar to enrollment in a formal program at an educational institution. The ELCA Letter of Call presently recommends **a minimum of two weeks of continuing education annually and may be accumulated during a three-year period for a total of six weeks**. In the Indiana-Kentucky Synod, this time may be taken each year or after two or three years. It is recommended that the rostered minister(s) attend the annual Fall Professional Leaders Conference offered each year in the Indiana-Kentucky Synod; this should not be considered part of the annual two

weeks continuing education, nor should participation in the annual synod assembly or conference events be considered continuing education opportunities as attendance at these synod events are part of the expectation for all rostered ministers.

To financially support continuing education, **the congregation is encouraged to establish a fund to which it annually contributes a minimum of \$1,000** and may be accumulated over a period of years. Continuing education funds may be used for registration, course materials, travel and housing while the rostered minister pursues approved continuing education. Financial assistance is also available through the Indiana-Kentucky Synod Leadership Support Committee. An application form for funds can be found on the Synod's website.

In addition to continuing education leave and funds, new rostered ministers shall be given time and resources to participate in mandatory First Call Theological Education (FCTE). This ELCA expectation of a three-year structured program of theological education is designed to support and strengthen the new rostered minister in terms of: (1) ministry skills; (2) vocational identity; and (3) discernment of context. FCTE is experiential learning designed to meet participants at their point of need as they encounter the demands and expectations of ministry.

SICK LEAVE

Sick Leave of up to six weeks per year with full salary, housing and benefits should be provided by the congregation when needed. This is not accumulated and should not be abused. This is not an entitlement. If a pastor/deacon's health concerns last longer than the normal six-week sick leave, or they are considering applying for disability coverage, the congregation council should consult the synod office for guidance on continuing compensation and benefits, as well as available interim pastoral leadership for the congregation.

FAMILY LEAVE

Paid **Family Leave** with full benefits of twelve weeks is standard practice when a child is born or adopted. The number of weeks of leave before and after the birth should be specified in advance and with mutual discussion with the rostered minister. If additional family leave beyond the twelve weeks is desired, it should be negotiated with the congregation council and is typically either paid vacation time or unpaid leave. Similarly, paid Family Leave with benefits of twelve weeks also should be available to care for a sick family member such as a spouse, child, parent, or sibling. Family leave also includes time for bereavement leave to grieve and heal from the loss of an immediate family member. It is recommended that Rostered Ministers take one to two weeks for bereavement leave. ***When calling a new pastor, the congregation must include a comment about sick leave and paid family leave on the ELCA Compensation and Benefits Form, under F. Other Matters.***

DISABILITY LEAVE

Disability Leave - In the event a sponsored member of the ELCA benefits program is unable to perform his/her/their normal occupation, as a direct result of injury, illness or physical or mental disorder that is verified by objective medical information from a Qualified Health Care Provider, they can apply for **Total or Partial Disability**. See details on Portico EmployerLink website (login required to access this portion of the website): <https://employerlink.porticobenefits.org/resources/disability> or the myPortico website for members (login required): <https://myportico.porticobenefits.org/other-benefits/disability>

Monthly disability benefits available to eligible interim pastors who have chosen to continue ELCA disability coverage at their own expense while between assignments or for rostered ministers on leave from call are slightly different. Contact Portico for more information.

Congregations are legally required by Indiana and Kentucky state law to secure **Workers' Compensation** on pastors and deacons (*as well as all other employees*) and provide for such expenses in the event of disability.

SABBATICAL LEAVE

Congregations shall offer their pastor/deacon **sabbatical leave** time for spiritual and personal renewal which may be a maximum of 8 weeks after four years or 12 weeks after six years in a congregation. Such sabbatical leave time should normally be offered at either of these intervals during a long ministry service and should not preclude vacation time during the year of sabbatical leave. This leave should include special continuing education emphasis. The request, specific description and purpose of the sabbatical leave are to be submitted to and approved by the Congregation Council at least six months prior to the time it is to begin. Congregations should consider the inclusion of a sabbatical fund in the budget so that funds may be set aside each year toward that sabbatical leave to spread the costs associated with a sabbatical over several years.

During sabbatical leave, the congregation continues to provide normal compensation and benefits for the rostered minister and pays for pulpit supply and related congregational ministerial expenses. The pastor/deacon is responsible for expenses related to the sabbatical such as additional living expenses, tuition, books and supplies. Normal vacation time may be used to extend the sabbatical leave. A report of his/her/their sabbatical activities is to be submitted to the Congregation Council. A pastor/deacon taking a sabbatical is expected to continue to serve the congregation granting the sabbatical for at least one year following the leave. If a congregation does not have an established sabbatical policy, it is recommended that you adopt one. (See [Appendix C](#) for a sample sabbatical policy and recommended guidelines.)

Continuing education and sabbatical leave time accrue to an individual during the service in a single congregation. All accumulated continuing education time is forfeited at the time of retirement or with the acceptance of another position or call to a different setting. Such continuing education time may not be used for vacation purposes, may not be transferred to another rostered minister or staff person, and may not be exchanged for monetary reimbursement. If a pastor/deacon accepts a new call but was not able to take a sabbatical in previous ministry calls, the timing of a sabbatical may be a topic of consideration in the new call – whether it may be appropriate to engage in a sabbatical sooner than is recommended above.

SABBATICAL PLANNING FOR INTERIM MINISTERS

Any Rostered Interim Minister who has not yet retired and **has received accredited Interim Ministry Training** shall be eligible for a sabbatical after four years [208 weeks] of contracted Interim service. As trained interim ministers, these leaders rarely accrue sufficient time in one congregation to qualify for a sabbatical. To remedy this, any congregation which has contracted with such an Interim, shall contribute 8/208 of the weekly compensation package specified in the contract. [8/208 represents the weekly contribution to an eight-week sabbatical accrued after 208 weeks of service.] These funds shall be held in special accounts established by the Synod Office in each interim minister's name and shall be held until the forty-eight months have been served. (Such contributions may be made weekly or monthly, by special arrangement with the synod bookkeeper.) Application to receive the funds and the sabbatical shall be made to the Synod Council, who shall collaborate with the Interim concerning content, timing, and reporting of the sabbatical.

IV. PROFESSIONAL REIMBURSEMENTS AND EXPENSES

ACCOUNTABLE PLAN

Congregations should consider establishing an Accountable Plan (AP) for their rostered minister(s) and employees who have reimbursable expenses. Reimbursement of expenses under an AP provides a tax advantage over claiming these expenses on Schedule A, Form 1040. For details of setting up an AP or other related financial matters, refer to the Financial Resources available on the ELCA website, <https://www.elca.org/Resources/Financial#FinanceC>, or refer to IRS Pamphlets 517 or 535.⁷

Examples of these reimbursements are:

1. Books and journals
2. Professional (professional dues, supplies, vestments, etc.)
3. Professional liability insurance
4. Cell phones
5. Mileage reimbursement (see below)

AUTOMOBILE REIMBURSEMENT

The costs which your Rostered Minister(s) incur in driving an automobile while performing church business are not personal expenses, but rather costs incurred by the congregation in order for the pastor/deacon to carry on the ministries of the congregation. As such, reimbursement, or coverage, for such costs should be fair, monthly, and complete at a 100% rate of reimbursement.

There are a number of ways to provide for this expense:

1. A monthly or yearly allowance (taxable income);
2. A reimbursement (non-taxable at IRS standard mileage rate); check IRS website for current rate: www.irs.gov.
3. Leasing*; or
4. Purchasing (by the congregation)*.

*Please note that when a congregation leases or purchases a vehicle for the pastor to use, it is the congregation's responsibility to provide for the maintenance, and insurance of the vehicle.

Because of the vast differences in situations among our congregations, no recommendation is being made as to a minimum monthly or yearly allowance to be paid. The IRS requires that the rostered minister submit an accurate record of business miles driven and/or car expenses to the congregation or employing agency and that the car has a detailed log of distance and purpose of each use of the vehicle.

OTHER EXPENSES

Your rostered minister's attendance at official assemblies and conferences is a professional expense. **Attendance at the annual Indiana-Kentucky Synod Assembly is constitutionally mandated** and expenses for registration, lodging, meals, travel and other fees are the responsibility of the congregation. Attendance at other conferences should also be supported by the congregation or agency by payment of registration fees and other expenses. Discuss with your pastor/deacon their anticipated expenses in connection with assemblies and conferences in the coming year.

⁷ <https://www.irs.gov/publications/p517> or <https://www.irs.gov/publications/p535>

MOVING EXPENSES

At the time of a new or change of call, relocation and moving expenses of the pastor/deacon are the responsibility of the calling congregation. Because of the liability involved, it is strongly recommended that the services of a professional moving firm be secured. Under previous law, payment or reimbursement of an employee's qualified moving expenses were not subject to income or employment taxes. Beginning in 2018, under the previous year's tax reform legislation, employers must include all moving expenses in employees' wages, subject to income and employment taxes.⁸

V. PASTOR OF RECORD, INTERIM, AND PULPIT SUPPLY

PASTOR OF RECORD

At the time of pastoral vacancy in a congregation, the bishop, working with the Congregation Council, appoints a Pastor of Record to provide basic leadership and pastoral care until another pastor is called or appointed as an interim. A Pastor of Record may be in an area ELCA congregation or may be serving in a non-congregational setting.

Compensation and expenses for a Pastor of Record attending monthly council meetings and providing minimal emergency pastoral ministry (see Call Process Manual): **\$300 per month + mileage at current IRS rate.** *Honorariums for additional services may be negotiated with the Pastor of Record.*

INTERIM PASTOR

Depending on congregational need and pastoral availability, an Interim Pastor may be appointed rather than a Pastor of Record to serve the congregation on a part-time or full-time basis during a pastoral vacancy. When this is done, the length of the interim, the pastoral responsibilities, and the compensation will be negotiated with interim pastor and the Congregation Council. It is standard practice that no pastor is to be considered as a candidate for call to a congregation when serving that congregation as a Pastor of Record or Interim Pastor. Exceptions are sometimes made, such as in the case of a pastor serving as interim in one ministry setting while the congregations explore shared ministry.

Compensation for Interim Ministers are negotiated and stated in the Interim Ministry Contract.

- Compensation should be appropriate to the minister's years of experience and time commitment to the congregation, utilizing the IN-KY Synod Compensation spreadsheet;
- Or if a retired pastor is serving in interim ministry, the minimum the compensation should be a \$180/day if a parsonage is provided or \$233/day if housing is not provided, or may be based on a set salary utilizing the IN-KY Synod Compensation spreadsheet.
- Either compensation would also include auto allowance/mileage reimbursement, and appropriate benefits, continuing education and other expenses/reimbursements as noted above.

⁸ <https://www.irs.gov/newsroom/tax-reform-brings-changes-to-qualified-moving-expenses>

PULPIT SUPPLY

During a pastoral vacancy or absence, it may be necessary for a congregation to secure a pulpit supply to lead worship. A current list of persons available for pulpit supply may be secured from the synod website. Those asked to serve as pulpit supply should be contacted well in advance of the date needed and, upon acceptance, be provided with a copy of the worship bulletin and pertinent information about the service. A member familiar with the congregational worship practices should be on hand to welcome the pulpit supply prior to the service. The recommended honorarium for all persons serving as pulpit supply for one worship service is a minimum of **\$200 plus round-trip mileage to/from the church(es), with the appropriate compensation for additional responsibilities. For each additional service, whether at the same congregation or at another, as in shared ministry (multi-point parishes), an additional \$50 per service should be paid.**

Whenever possible, the pulpit supply fee should be paid to the leader on the same day that they lead the worship service.

If you have any questions, or need clarification with anything in this document, do not hesitate to contact the Indiana-Kentucky Synod office, or one of the members of the Indiana-Kentucky Rostered Ministers Compensation Committee for help. We are pleased to assist you in any way. Thank you for the opportunity to serve with you in ministry of the Gospel of our Lord and Savior Jesus Christ.

Appendix A

DESIGNATION OF HOUSING ALLOWANCE - PASTORS

In IRS Publication 517⁹, the IRS states that “The church or organization that employs you must officially designate the payment as a housing allowance before it makes the payment. It must designate a definite amount. It can't determine the amount of the housing allowance at a later date. If the church or organization doesn't officially designate a definite amount as a housing allowance, you must include your total salary in your income.”

The Congregation Council must approve this amount annually in advance of the start of the calendar year and record it in the council minutes. The president/vice president informs the council that under the tax law, “Ordained, commissioned, or licensed ministers of the gospel may be able to exclude from income tax the rental allowance or fair rental value of a parsonage that is provided to them as pay for their services.” The pastor determines the amount they will claim as housing allowance for the upcoming year and shares that with the council president/vice president ahead of the meeting at which this will be designated (same resolution below). When the housing allowance is designated in advance, and to the extent it is actually used, it is considered non-taxable for income tax purposes for the pastor.

Housing Allowance Resolution: After considering the estimate of Rev. _____ of his/her/their home expenses, a motion was made by _____, seconded by _____ and passed to adopt the following resolution:

RESOLVED, that the Rev. _____ for the calendar year 2023 will receive a salary of \$ _____ and a housing/furnishings allowance of \$ _____.

When it is time to pay income tax, it is important to note IRS Publication 517 (*cited verbatim below*):

Home Ownership. If you own your home and you receive as part of your salary a housing or rental allowance, you may exclude from gross income the smallest amount of:

- The amount actually used to provide a home,
- The amount officially designated as a rental allowance, or
- The fair rental value of the home, including furnishings, utilities, garage, etc.

Excess Rental Allowance. You must include in gross income the amount of any rental allowance that is more than **the smallest of:**

- Your reasonable salary
- The fair rental value of the home plus utilities, or
- The amount actually used to provide a home.

⁹ <https://www.irs.gov/pub/irs-pdf/p517.pdf>

Appendix B

CAN DEACONS CLAIM A HOUSING ALLOWANCE?

IRS Publication 517 contains helpful guidance on this issue.¹⁰ It states on page 10, upper left-hand column: “If you serve as a minister of music or minister of education, or serve in an administrative or other function of your religious organization, ***but aren't authorized to perform substantially all of the religious duties of an ordained minister in your church (even if you are commissioned as a minister of the gospel)***, the housing exclusion doesn't apply to you.” (emphasis added)

Relatedly, (on page 3, right-hand column), “Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. ***Ministers have the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination.*** If a church or denomination ordains some ministers and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes.” (emphasis added)

Under this test, it would appear that Ministers of Word and Service would **not** be treated as ministers for Social Security purposes (i.e. they are subject to FICA withholding, not self-employment tax), as they do not have the authority to administer sacraments as part of their regular duties, and therefore this same test could apply to mean they are ineligible to receive a housing allowance.¹¹

However, if a Deacon interprets the information in IRS Publication 517 differently and wants to claim a portion of the Defined Compensation as housing allowance, that is between the employer, the employee, their tax preparer and the IRS. If a Minister of Word and Service feels they qualify under IRS policy, and the Congregation Council agrees, they would have to pass a resolution to that effect as described in Step 5 above.

¹⁰ <https://www.irs.gov/pub/irs-pdf/p517.pdf>

¹¹ The ELCA General Counsel made it known via an email to the ELCA Conference of Bishops on February 3, 2020, that they do not have the ability to obtain further guidance on this ruling from the IRS as the IRS has made it clear that it will not be issuing any additional private letter rulings on who qualifies as a minister for purposes of the clergy housing allowance.

Appendix C

EXTENDED STUDY LEAVE (SABBATICAL) POLICY¹²

PREFACE

The Biblical witness is the story of God's continuing faithfulness to invest the Gospel into human hands and lives. The Apostle Paul speaks of it as pouring God's love into earthen vessels: "But we have this treasure in clay jars, so that it may be made clear that this extraordinary power belongs to God and does not come from us." (2 Corinthians 4:7). Earthen vessels are meant to be filled and emptied, again and again. However, care must be taken that, once emptied, the vessels can be filled once again.

St. Paul cautions us that spiritual strength essential to effective ministry comes from God and does not come from ourselves. Both in the strength and in the filling, it is a transcendent power given to us, poured into us as God's people. This is true for all the baptized. It is equally true, perhaps even to a greater degree, of those we look to for filling and spiritual nurture, the rostered ministers who serve among us: pastors and deacons.

The concept of wholeness and wellness in ministry is an important principle in the life of the Church. Healthy congregations and healthy rostered ministers are essential to a healthy community of faithful people. It is our belief that an extended time of study and inward renewal for rostered ministers is an expression of mutual care for one another. The Indiana-Kentucky Synod has developed the following guidelines for congregations, institutions, and agencies of the church to make a sabbatical leave possible for the rostered ministers who serve among us.

An extended sabbatical leave provides an opportunity for rostered ministers to reflect on their call to ministry and relationship to God. While continuing education on an annual basis provides regular short-term opportunities for growth in learning, an extended sabbatical leave provides the needed opportunity for in-depth learning and renewal, free from current responsibilities, following a length of service to the congregation, agency, or institution. An extended sabbatical leave should be holistic, including time for prayer, reflection, relaxation, and refreshment of body and spirit, as well as further developing gifts for future ministry.

EXTENDED SABBATICAL LEAVE GUIDELINES

1. An extended sabbatical leave shall be granted for a maximum of 8 weeks after four years of service or 12 weeks after six years of service in a congregation, agency or institution.
2. The rostered minister is normally expected to serve the congregation, agency, or institution for at least one year following completion of the sabbatical leave.
3. An Extended Sabbatical Leave Covenant is the centerpiece of the sabbatical leave plan and experience. It is developed through conversation with key leaders: Congregation Council Executive Committee, staff support committee, supervisor, or others that relate to the rostered minister's continuing education needs in light of the ministry emphases of the congregation, institution, or agency. The Covenant may include information to address these items:
 - a. Identify ministry highlights and give thanks for ministry accomplished.

¹² Adapted from the Central States Synod, ELCA

- b. Determine the ministry priority most affected by the rostered minister's leadership and ministry and explore how she/he/they can become an even more effective leader through further study and renewal.
 - c. Develop a specific education plan and focus for the sabbatical. The focus of the sabbatical leave should be for in-depth study on one or two topics directly related to the regular call of the rostered minister and should include time for personal and family reflection.
 - d. An outline of financial implications for the sabbatical leave and funding arrangements.
 - e. Identify a specific means through which the congregation, agency, or institution will share in the success of the sabbatical experience upon its completion.
4. The rostered minister will submit a report to the congregation, agency, or institution she/he/they serves within a mutually agreed upon period of time following completion of the study leave.
 5. It is expected that congregation, institution, or agency provide the rostered minister full pay and benefits during the extended sabbatical leave.
 6. Proposals for extended sabbatical leave shall be presented to the congregation council or governing body of the agency or institution not less than six (6) months prior to the beginning of the proposed leave. Careful consideration shall be given to all aspects of the proposal and implications for the congregation, agency, or institution and the rostered minister.
 7. Expenses incurred during the sabbatical leave will be borne by the rostered minister (i.e., tuition, books, supplies, travel, living expenses, etc.). Continuing education funds would normally be used to cover some of the expenses.
 8. Realizing the congregation, agency, or institution will be without the services of its regularly called minister, it should consult with the synodical bishop regarding possible options for continuing coverage during the period of the sabbatical leave.
 9. It is understood that the extended sabbatical leave and the terms of the covenant are a mutually negotiated agreement between the rostered minister and the congregation, agency, or institution. The covenant will be completed and filed with the synod office ordinarily at least three months prior to the beginning date of the sabbatical leave.

Appendix D

LEADERSHIP SUPPORT STANDARDS FOR CONTINUING EDUCATION

- 1) A Continuing Education Covenant must be on file with the Synod office. This Covenant is renewable every seven years.
 - 2) Continuing education grants may be provided through the Office of the Bishop to all rostered ministers of the Indiana-Kentucky Synod, ELCA.
 - 3) Grants will normally not exceed the amount contributed by either the recipient or the congregation or appropriate agency. In the event of greater need, exceptions may be made. If applicants exceed available funds, they will be available based on needs. (The earlier application is made in the year, the greater the opportunities to receive funding.)
 - 4) Continuing education grants will be made for structured formal study programs directly related and beneficial to the applicant's ministry.
 - 5) Assistance grant requests will be made in these areas:
 - a. Stollendorf Grants, not to exceed \$400.00 for the synod's fiscal year (which begins Feb. 1), for single event programs, such as conferences, seminars and workshops.
 - b. Leadership Grants, not to exceed \$500.00 annually, for the development of leadership skills through participation in a multi-year program of supervised study, such as a D.Min. program.
 - 6) Sabbatical Grants for Pastoral Leaders (can include pastors, deacons, and those in specialized ministries) is a grant program of the Louisville Institute that provides funds up to \$15,000. Information can be found at www.Louisville-Institute.org, or in writing to The Louisville Institute, 1044 Alta Vista Road, Louisville, KY, 40205 502-895-3411. Other grants are available through the Lilly Endowment Clergy Renewal Program: <http://cpx.cts.edu/renewal>.
- Other grant resources can be found at www.centerforcongregations.org.

Appendix E

HELPFUL LINKS

(All links were current and active at the time of publication.)

Indiana Department of Revenue: www.in.gov/dor/

Kentucky Department of Revenue: revenue.ky.gov

Minister's Compensation and Housing Allowance: <https://www.irs.gov/faqs/interest-dividends-other-types-of-income/ministers-compensation-housing-allowance/ministers-compensation-housing-allowance>

Business Use of Car and Travel Expenses: <https://www.irs.gov/taxtopics/tc510> or <https://www.irs.gov/publications/p463>

Pastor and People: Making Mutual Ministry Work: <https://www.augsburgfortress.org/store/product/9780806646510/Pastor-and-People>

Center for Medicare & Medicaid Services: www.cms.gov

- Medicare: www.medicare.gov
- Medicare & You Handbook: www.medicare.gov/medicare-and-you/medicare-and-you.html
- Your Medicare Benefits: <https://www.medicare.gov/Pubs/pdf/10116-Your-Medicare-Benefits.pdf>
- Medicare Savings Premium: www.socialsecurity.gov/prescriptionhelp