ROSTERED MINISTER'S COMPENSATION AND BENEFITS MANUAL 2026

(For use by the rosters of Ministers of Word and Sacrament and Ministers of Word and Service)

Lower Susquehanna Synod, ELCA
1959 Market Street
Camp Hill, PA 17011

9/20/2025

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Introduction

One of the ways we think of the rostered minister's ministry is in terms of their efforts on behalf of the lay members of the congregation. In the same way, the ministry of the laity includes the care of the rostered minister and of the rostered minister's family. This concern for one another in the congregation is a witness to what we believe and practice in the life of the church.

Although this manual is primarily oriented to those serving in parishes, it also applies to all agencies and institutions of our synod. When the manual speaks of "congregations," it also means those agencies and institutions.

In many congregations, a specific group of people is asked to have primary concern for this ministry to the rostered minister and the rostered minister's family. This group is often called a "Mutual Ministry Committee."

One of the key tasks of such a committee is to discuss with the rostered minister a fair and equitable compensation package. Since the rostered minister depends on the Congregation Council and the congregation to make ample provision for their financial needs, the rostered minister requires an opportunity to discuss those needs in an open and supportive forum. The Mutual Ministry Committee is in a position to provide such a forum. The rostered minister is encouraged to complete the "Development Worksheet" to foster salary discussions with congregation leaders to arrive at fair and equitable compensation based on years of experience and educational and professional development.

There are reasons for the varieties of financial compensation packages within this synod and within other expressions of the Evangelical Lutheran Church in America. Some parishes have full-time pastors while others have less than full-time pastoral service. Some parishes have several pastors and other rostered ministers on the staff. Other parishes have one pastor serving more than one congregation. It is the intention of our synod's policy to affirm the reality of many congregation styles in terms of rostered minister/congregation relationships while at the same time ensuring adequate and fair compensation.

This manual attempts to provide an additional resource to assist congregations and rostered ministers in determining a compensation package; retirement plan and other benefits; agreements relative to time off for continuing education, vacation, holidays, sick leave, parental leave, and sabbatical leave; and appropriate reimbursement for professional expenses.

It is hoped that this manual also will assist congregations in their budget planning process by expanding upon the summary worksheets for 2026, "Parish Budget for Ministers of Word and Sacrament" or "Parish Budget for Ministers of Word and Service" (page 16 and page 18, respectively).

The information contained herein has been compiled by the Committee on Compensation and Benefits of the Lower Susquehanna Synod, ELCA. Questions and comments about this "Rostered Minister's Compensation and Benefits Manual" should be directed to the Office of the Bishop or to the Office of the Treasurer, (717)652-1852.

For Rostered Ministers Under Call ~

A congregation or multi-congregation parish shall not reduce any part of a rostered minister's compensation without negotiating such reductions with the rostered minister. At the time of call, a congregation and rostered minister enter into an agreement on the compensation package and sign the *DEFINITION OF COMPENSATION, BENEFITS, AND RESPONSIBILITIES*. For the congregation/parish to reduce the rostered minister's compensation without negotiating with the rostered minister is to break the agreement. As a congregation/parish and rostered minister are in a mutual ministry, so any decisions concerning reduction in compensation are to be done mutually.

A. COMPENSATION

A.1 MINISTER OF WORD AND SACRAMENT (PASTOR) SALARY DEVELOPMENT WORKSHEET

The Pastor's Salary Development Worksheet is a tool whose primary purpose is to encourage salary discussions between congregation leaders and the pastor serving that congregation. These guidelines serve as a starting point – a minimum salary recommendation. It endeavors to include many of the parameters that contribute to a well-prepared rostered minister. It is urged that the following be considered as an overarching goal:

A rostered minister's total compensation package should as much as possible, be comparable to the compensation received by members of the congregation in professional occupations, considering the level of education and the years of experience.

The *Unadjusted Minimum Salary* is the amount approved at each Synod Assembly. It does not include any compensation for the social security tax that a pastor pays as required by the Internal Revenue Service.

The *Years of Pastoral Experience* reflects the value of acquired skills, wisdom, and experiences that can come only from actual pastoral experience. It is recognized that those acquired skills of a pastor grow more rapidly during the early years. Therefore, the worksheet reflects a higher compensation for the first five years ($600.00 per year) than for the years that follow ($275.00 per year) through at least the 25th year. Even after 25 years, the pastor continues to grow. This value should be considered beyond the minimum salary recommendation.

The *Years of Non-Pastoral Experience* reflects the value of acquired skills, wisdom, and experience that come from employment in vocations other than as a rostered minister. A value of $100.00 per year has been assigned though it is recognized that vocations vary greatly in their contribution toward acquired knowledge for pastoral leadership.

The *Specialized Training Beyond a Master of Divinity Degree* reflects an expectation that pastors be well-educated. This compensation of $300.00 per point recognizes the time and commitment that has been made in earning certificates and degrees that better prepare one for ministry.

The *Longevity in Current Call* parameter reflects the value of healthy, long-tenured pastorates in helping a congregation live out its mission. A compensation of $200.00 per year up to a maximum of 10 years is suggested.

The *Associate Pastor* parameter reflects the role of the pastor. If they are a solo pastor or lead pastor, the indication is "no". If they are the associate pastor, it is indicated by "yes" and the following factor for size of congregation is reduced by 67%.

The *Congregation Size* parameter reflects the complexity and increased level of responsibility involved in leading congregations with larger weekly attendance and a greater number of staff. These larger congregations need to recognize the unique responsibilities placed on pastors in these settings and to compensate them accordingly. This is measured by Average Worship Attendance (in person and online). The table has the guideline for compensation, there is also a calculation based on a formula that yields a smoother curve. Both are offered to see the progression and either can be used to set the guideline.

The *Regularly Participating in Pastoral Growth Opportunities* parameter reflects the importance of growth that comes from a pastor's commitment to regular involvement in small colleague group settings such as pericope studies, seminars, conference rostered minister's meetings, specialized ministry support groups, etc. A compensation of $100.00 per point is given.

Congregations providing a housing allowance for their pastor should give consideration to the total cost of housing in their community. Included in conversations regarding compensation, as it relates to housing allowance, should be the amount of local municipality and school taxes. These vary drastically across our synod territory and should be included in the annual discussion.

Using the Development Worksheet

When values are entered in the shaded areas of the worksheet they are computed to arrive at sub totals and totals. The Development Worksheet total should be viewed as a minimum starting point in compensation discussion. After a mutually negotiated salary is agreed upon, that amount can be placed in the Mutually-Negotiated Clergy Salary blank.

The Social Security tax allowance is calculated according to the guidelines in the "Rostered Minister's Compensation and Benefits Manual" found at www.lss-elca.org/leaders/salary-guidelines. Reference the worksheet found on page 5 and the explanation beginning on page 8, item A.5, Social Security Tax Allowance.

After the Social Security tax allowance is added to the "Mutually-Negotiated Clergy Salary," the amount becomes the Total Defined Compensation Value for the Portico Benefits Plan.

It is encouraged that the Development Worksheet be "save as" when each draft has been completed.

GO TO: http://www.lss-elca.org/leaders/salary-guidelines/ to access the worksheet for use.

MINISTERS OF WORD AND SACRAMENT SALARY DEVELOPMENT WORKSHEET

LOWER SUSQUEHANNA SYNOD - ELCA

2026 Minimum Compensation

The Pastor's Salary Development Worksheet is a tool whose primary purpose is to encourage salary discussions between congregation leaders and the pastor serving that congregation. These guidelines serve as a starting point – a minimum salary recommendation. It endeavors to include many of the parameters that contribute to a well-prepared rostered minister. It is urged that the following be considered as an overarching goal:
A rostered minister's total compensation package should as much as possible, be comparable to the compensation received by members of the congregation in professional occupations, considering the level of education and the years of experience.

				No Housing Provided	Housing Provided	No Housing Provided	Housing Provided
Unadjusted Minimum Base Salary and Housing Allowance				$64,037	$44,552		
(adopted 2025 Synod Assembly SA25.06.06.)							
Compensation Parameters							
Years of Pastoral Experience							
Each year of first five years of service				$0	$0		
$600 each year for the first 5 years							
$275 each year of service over 5 (through at least year 25)							
Years of Non-Pastoral Experience							
Each year employment prior to call as a pastor				$0	$0		
				($100. per year)			
For Specialized Training Beyond Master of Divinity Degree							
Enter: "1" Specialization Certificate				$0	$0		
"3" any other master degree				($300. per point)			
"5" any other doctor degree							
Cumulative with maximum value of 9							
Longevity in Current Call (years)							
Enter number of years at current call; maximum 10				$0	$0		
				($200. per year)			
Associate Pastor (yes or no)							
Congregation Size (Average Worship Attendance)							
						Worship Attendence	Worship Attendence
0	74	$0		Table calculated	Table calculated	Adjusting Formula	Adjusting Formula
75	149	$1,750		$0	$0	$ -	$ -
150	299	$5,000					
300	499	$12,000					
500	699	$24,000					
700	899	$40,000					
Regularly Participating in Pastoral Growth Opportunities							
Enter: "1" for 6-12 occurrences/year				$0	$0		
"2" for more than 12 occurrences/year				($100. per point)			
				THESE NUMBERS USE THE TABLE FOR WORSHIP ATTENDANCE	THESE NUMBERS USE THE TABLE FOR WORSHIP ATTENDANCE	THESE NUMBERS HAVE BEEN ADJUSTED BY A FORMULA	THESE NUMBERS HAVE BEEN ADJUSTED BY A FORMULA
Development Worksheet Total				$64,037	$44,552	$64,037	$44,552
Social Security Tax Allowance							
Mutually Negotiated Pastoral Salary							

Adopted June 6, 2025

A.1 MINISTER OF WORD AND SERVICE (DEACON) SALARY DEVELOPMENT WORKSHEET

The Deacon's Salary Development Worksheet is a tool whose primary purpose is to encourage salary discussions between congregation leaders and deacons serving that congregation. These guidelines serve as a starting point – a minimum salary recommendation. It endeavors to include many of the parameters that contribute to a well-prepared deacon. It is urged that the following be considered as an overarching goal:

A deacon's total compensation package should as much as possible, be comparable to the compensation received by members of the congregation in professional occupations, considering the level of education and the years of experience.

The *Unadjusted Minimum Salary* is the amount approved at each Synod Assembly.

The *Years of Rostered Experience* reflects the value of acquired skills, wisdom, and experiences that can come only from actual rostered experience. It is recognized that those acquired skills of a deacon grow more rapidly during the early years. Therefore, the worksheet reflects a higher compensation for the first five years ($600.00 per year) than for the years that follow ($275.00 per year) through at least the 25th year. Even after 25 years, the deacon continues to grow. This value should be considered beyond the minimum salary recommendation.

The *Years of Non-Rostered Experience* reflects the value of acquired skills, wisdom, and experience that come from employment in vocations other than as a deacon. A value of $100.00 per year has been assigned though it is recognized that vocations vary greatly in their contribution toward acquired knowledge for rostered leadership.

The *Specialized Training Beyond an AIM, MAMS, MAR, etc. degree* reflects an expectation that deacons be well-educated. This compensation of $300.00 per point recognizes the time and commitment that has been made in earning certificates and degrees that better prepare one for ministry.

The *Longevity in Current Call* parameter reflects the value of healthy, long-tenured deacon in helping a congregation live out its mission. A compensation of $200.00 per year up to a maximum of 10 years is suggested.

The *Congregation Size* parameter reflects the complexity and increased level of responsibility involved in leading congregations with larger weekly attendance and a greater number of staff. These larger congregations need to recognize the unique responsibilities placed on deacons in these settings and to compensate them accordingly. This is measured by Average Worship Attendance (in person and online). The table has the guideline for compensation, there is also a calculation based on a formula that yields a smoother curve. Both are offered to see the progression and either can be used to set the guideline.

The *Regularly Participating in Professional Growth Opportunities* parameter reflects the importance of growth that comes from a deacon's commitment to regular involvement in small colleague group settings such as pericope studies, seminars, conference rostered ministers' meetings, specialized ministry support groups, etc. A compensation of $100.00 per point is given.

Congregations should give consideration to the total cost of housing in their community. Included in conversations regarding compensation should be the amount of local municipality and school taxes. These vary drastically across our synod territory and should be included in the annual discussion.

Using the Development Worksheet

When values are entered in the shaded areas of the worksheet they are computed to arrive at sub totals and totals. The Development Worksheet total should be viewed as a minimum starting point in compensation discussion. After a mutually negotiated salary is agreed upon, that amount can be placed in the Mutually-Negotiated Deacon Salary blank. The compensation amount chosen becomes the Total Defined Compensation Value for the Portico Benefits Plan.

It is encouraged that the Development Worksheet be "save as" when each draft has been completed.

GO TO: http://www.lss-elca.org/leaders/salary-guidelines/to access the worksheet for use.

MINISTERS OF WORD AND SERVICE SALARY DEVELOPMENT WORKSHEET

LOWER SUSQUEHANNA SYNOD - ELCA

2026 Minimum Compensation

The Deacon's Salary Development Worksheet is a tool whose primary purpose is to encourage salary discussions between congregation leaders and deacons serving that congregation. These guidelines serve as a starting point – a minimum salary recommendation. It endeavors to include many of the parameters that contribute to a well-prepared deacon. It is urged that the following be considered as an overarching goal:

A deacon's total compensation package should as much as possible, be comparable to the compensation received by members of the congregation in professional occupations, considering the level of education and the years of experience.

						SALARY	
Unadjusted Minimum Salary						$64,037	
			(adopted 2025 Synod Assembly SA25.06.07.)				
Compensation Parameters							
Years of Rostered Experience							
Each year of first five years of service						$0	
$600 each year for the first 5 years							
$275 each year of service over 5 (through at least year 25)							
Years of Non-Rostered Experience							
Each year employment prior to call as a rostered leader						$0	
						($100. per year)	
For Specialized Training Beyond AIM, MAMS, MAR, etc.							
Enter: "1" Specialization Certificate						$0	
"3" any other master degree						($300. per point)	
"5" any other doctor degree							
Cumulative with maximum value of 9							
Longevity in Current Call (years)							
Enter number of years at current call; maximium 10						$0	
						($200. per year)	
Congregation Size (Average Worship Attendance)							
							Worship Attendance
0	74	$0				Table Calculated	Adjusting Formula
75	149	$583				$0	$ -
150	299	$1,665					
300	499	$4,000					
500	699	$8,000					
700	899	$13,333					
Regularly Participating in Professional Growth Opportunities							
Enter: "1" for 6-12 occurrences/year						$0	
"2" for more than 12 occurrences/year						($100. per point)	
						THESE NUMBERS USE THE TABLE FOR WORSHIP ATTENDANCE	THESE NUMBERS HAVE BEEN ADJUSTED BY A FORMULA
Development Worksheet Total						$64,037	$64,037
Mutually Negotiated Rostered Leader Salary							
						Adopted June 6, 2025	

SECTIONS A.2 THROUGH A.5 APPLY TO PASTOR'S COMPENSATION ONLY

A.2 Housing Allowance

Housing Allowance is that portion of a pastor's total compensation which includes all costs associated with providing and furnishing a home when a parsonage is not provided. The housing allowance should be sufficient to provide adequate housing as well as care for the related expenses of utilities and upkeep. Expenses that qualify to be used for a housing allowance include payments on purchase, principal and interest payments on mortgages, taxes, utilities, maintenance, insurance, furnishings, landscaping, etc. Housing costs have risen rapidly over the years and in many cases compensation increases have not kept pace with housing costs.

Your pastor sets the housing allowance up to the "fair rental value" of a furnished home plus utilities, to the extent that the allowance is actually expended for housing. The Internal Revenue Service gives special tax treatment to that portion of a pastor's compensation designated in advance as a housing allowance and spent during the year. Therefore, the pastor should request the congregation council to designate an adequate portion of the total salary package as a housing allowance as a benefit to the pastor. **This is not an additional cost to the congregation** and is similar to the housing allowance provided to members of the armed forces. Congress on May 20, 2002 passed the *Clergy Housing Allowance Clarification Act of* 2002 which provided further guidance for the clergy housing allowance.

The base salary and housing allowance should be considered together as a package with flexibility given to the pastor to designate an adequate amount for the designated housing allowance. See Appendix C for calculation of the housing allowance and page 20 for the approval of the congregation council.

Place the amount designated for housing allowance here: $_____

A.3 Allowances for When a Parsonage is Provided

Section 107 of the Internal Revenue Code states that "in the case of a minister of the gospel, gross income does not include the rental value of a home furnished…as part of…compensation; or the rental allowance paid… as part of… compensation, to the extent used … to rent or provide a home." Section 107 excluded the fair rental value provided rent-free as well as an allowance paid to the extent used to pay expenses incurred to maintain the parsonage such as utilities, repairs, and furnishings.

A.3.a Furnishings Allowance

The pastor estimates the expense for furnishings that they will incur during the coming year. The Congregation Council action designates this amount as a furnishings allowance in advance of salary payment.

- Applicable to pastors whose congregations provide rent-free use of a parsonage or a rental allowance is paid as part of compensation.

  Furnishings Allowance $_____

  (Carry to page 16, A.3.a Furnishings Allowance)

A.3.b Utilities Allowance

The pastor estimates the cost of utilities that they will pay in the coming year. The Congregation Council action designates this amount as a utility allowance in advance of salary payment.

- Applicable to pastors whose congregations provide rent-free use of a parsonage or a rental allowance is paid as part of compensation.
- Applicable only when the pastor pays utilities.

  Utilities Allowance $_____

  (Carry to page 16, A.3.b Utilities Allowance)

A.5 Social Security Tax Allowance

For Social Security tax purposes, the pastor is treated as a self-employed person and pays Social

Security under the Self-employment Contribution Act (SECA) rather than the Federal Insurance Contributions Act (FICA). The current rate for self-employed persons is 15.3%. Information on current rates can be found at: https://faq.ssa.gov/en-US/

In 2004 the synod, in assembly, adopted a policy that congregations pay Social Security Allowance that is not less than 50% of the pastor's estimated Social Security tax, or pay an equivalent amount if the pastor has opted out of Social Security.

Social Security Tax Allowance Worksheet

A pastor is considered self-employed for social security purposes and is required to pay 100% of the social security taxes on their own tax return including what would normally be the employer share. Normally an employer pays the employer portion of social security taxes, and an employee pays an employee portion. Since the total amount of social security tax payable by the pastor is 15.3%, it is recommended that congregations pay a minimum of 50% of this tax or 7.65%. The pastor pays social security tax on the total defined compensation. 8.29% of the base salary plus housing allowance is added to arrive at the total defined compensation. This value is used so that after the 6.2% is deducted from the total defined compensation the pastor retains the full amount of the base salary plus housing allowance. Since, one-half the Social Security Tax paid by the pastor is allowed by the IRS as a deduction on their income tax return (Schedule SE) it is not necessary to impute the tax impact of paying this tax to the pastor.

By mutual agreement, a congregation may choose a higher amount of this required tax:

% of Social Security Paid by Congregation	**50.0%**	66 2/3%	75%	100%
Social Security Allowance Factor	**7.65%**	10.21%	11.48%	15.3%
% to add to Base Salary & Housing Allowance	**8.29%**	11.37%	12.97%	18.06%
	Minimum			

Discuss with your pastor the amount of their Social Security Tax. Determine by mutual agreement the percentage to be paid by the congregation. (See above but not less than 50%)

Social Security Allowance Factor from above based on congregation percentage $_____

(Carry to page 16, A.5 parsonage or A.2 without parsonage Social Security Tax Allowance)

B. PORTICO RETIREMENT AND OTHER BENEFITS

Sponsored members must be enrolled in each of the following plans, except the sponsored member can waive Medical and Dental Benefits Plan if otherwise covered:

- Portico Retirement Plan
- Portico Medical and Dental Benefits Plan
- Portico Disability Benefits Plan
- Portico Basic Group Life

B.1 Portico Retirement Plan Contribution

Participating Employers, on behalf of their Sponsored Member employees, contribute between 10% and 12% of defined compensation. Congregations are encouraged by Synod Assembly action to use a contribution rate of 12% for all Sponsored Members. Any additional contribution beyond the minimum required contribution rate may be deposited in the Portico Retirement Plan. In deciding whether to make additional contributions, the congregation should contact Portico Benefit Services (800-352-2876) for detailed information. Use Appendix B to calculate Defined Compensation or use the Portico Benefit Services internet site <https://porticobenefits.org>.

PORTICO RETIREMENT CONTRIBUTION RATES – 2026

Minimum required contribution rate: 10%
Recommended contribution rate: 12%

Defined Compensation (A.5 with parsonage or A.8 without parsonage) $_____
Retirement Contribution Rate _____%
Retirement Contribution $_____
(Carry to page 16 or page 18, B.1. Retirement Contribution)

B.2 Portico Medical and Dental Insurance

The practice of the Lower Susquehanna Synod has been for congregations and ELCA related institutions and agencies to provide health care for their rostered ministers and their families unless the coverage is waived because they are covered by their spouses' plan or the agencies or institutions to which they are called have different providers of health care. The bishop will not attest a call if health care is not provided.

Four health benefit options are offered.

Select Copay 2000	Health Deductible Individual $2,000/Family $4,000 Out-of-Pocket Limit Individual $5,000/Family $10,000 Coinsurance 30% after deductible is met 100% in-network for eligible preventive services Well-being support services Prescription Plan Copays and coinsurance Dental Plan Deductible Pay 100% of negotiated rate until deductible is met: $150 per person/ $300 family	Select HDHP* 2000	Combined Deductible Individual $2,000/Family $4,000 Out-of-Pocket Limit Individual $5,000/Family $10,000 Coinsurance 30% after deductible is met 100% in-network for eligible preventive services Well-being support services Prescription Plan Copays, combined deductible, and coinsurance after combined deductible Dental Plan Deductible Pay 100% of negotiated rate until deductible is met: $150 per person/ $300 family
Value Copay 4000	Health Deductible Individual $4,000/Family $8,000 Out-of-Pocket Limit Individual $6,000/Family $12,000 Coinsurance 30% after deductible is met 100% in-network for eligible preventive services Well-being support services Prescription Plan Copays and coinsurance Dental Plan Deductible Pay 100% of negotiated rate until deductible is met: $150 per person/ $300 family	Value HDHP* 4000	Combined Deductible Individual $4,000/Family $8,000 Out-of-Pocket Limit Individual $6,000/Family $12,000 Coinsurance 30% after deductible is met 100% in-network for eligible preventive services Well-being support services Prescription Plan Copays, combined deductible, and coinsurance after combined deductible Dental Plan Deductible Pay 100% of negotiated rate until deductible is met: $150 per person/ $300 family

**HDHP - High-Deductible Health Plan*

All four of the options were endorsed by the ELCA Church Council in April 2025.

The 2013 Synod Assembly adopted a resolution (SA13.06.13. June 8, 2013) that this manual specifies that rostered ministers under call in congregations receive medical insurance closely equivalent to the 80%/20% coverage provided by PORTICO.

The Synod Council adopted the following action at the September 20, 2025, meeting (SC25.09.58.):

> **That the Lower Susquehanna Synod Council endorse the Select Copay 2000 as the recommended health benefit option because it approximates the level of medical and dental benefits and expense allocation provided by the ELCA Medical and Dental Gold+ plan, and encourage congregations and ELCA-related institutions and agencies to advocate for the selection of the Select Copay 2000 health benefit option.**

Pricing of benefit plans will reflect both the community nature of the plans as well as the risk variation among plan members. Pricing will directly reflect the benefit costs incurred by the pools of covered individuals. Amounts collected from the community must be sufficient to pay plan benefits and expenses and maintain an appropriate level of plan reserves. Costs generally vary by risk characteristics of plan members, such as family size, age, and geographic location. It may be necessary to reflect these variations in the plan pricing schedules.

Employers and plan members should share the cost of benefits. Employers are expected to support the well-being of their rostered ministers and lay employees by paying all or a significant portion of the contributions for benefits. Plan members are expected to participate in the costs of utilization of the benefits (e.g., deductibles, copays, and coinsurance) and to contribute on a pretax basis to their retirement account in order to provide for retirement income

The plan options include age-based pricing which may increase health benefit costs for some organizations and lower them for others.

Age-based pricing may have significant budget implications, especially for organizations benefiting from the leadership of more experienced plan members. Portico believes that introducing age-based pricing will help maintain the age diversity of the membership, which is necessary to preserve the unique qualities of the ELCA health plan that support ministry-such as benefit portability through the call process, a proven track record of efficiency, and a long-term wellness focus.

Organizations are encouraged to visit Portico EmployerLink to generate a Custom Health Benefit Comparison Report to estimate potential contribution amounts for the new 2026 health benefit options. This report will also show 2026 retirement, disability, and basic group life rates. (See next section)

Sponsored members and/or their spouses and children who are eligible for medical benefits coverage through a spouse's employer or through a former employer may waive Portico Medical and Dental Insurance coverage, while continuing to participate in the Portico Retirement Plan, Portico Disability Benefits Plan, and the Portico Basic Group Life Benefits Plan. Members and their families who waived coverage are able to re-enter the Portico Medical and Dental Plan without a waiting period for pre-existing conditions.

The types of coverage elected will depend upon your rostered minister's dependent coverage needs and the contribution rates vary accordingly.

B.3.a ELCA Disability and Basic Group Life Benefits

The parish will provide full defined compensation (see Appendix D) for the first two months of disability on a self-insured basis. The parish also is expected to pay the medical, dental, and basic group life insurance contributions during the first two months of disability.

Your rostered minister has long-term disability insurance as a member of Portico Benefit Services. The ELCA Disability Plan will pay 66 2/3% of defined compensation, including benefits, less any social security and workers compensation disability benefits received. There is a six-month waiting period for any pre-existing conditions for newly called rostered ministers.

Coverage includes a basic group life insurance benefit that is two times your annual defined compensation, with a minimum benefit of $7,500, and a maximum of $50,000. If you're on leave from call and opted to continue coverage, the basic group life insurance benefit is $50,000. Coverage decreases by 50% at age 70, and an additional 50% at age 75. Accidental death and dismemberment (AD&D) coverage is included with basic group life insurance, which pays an additional benefit in cases of accidental death or injury.

DISABILITY AND BASIC GROUP LIFE COVERAGE RATES 2026:

Benefits Plan	Contribution Rate % of Def. Comp.
Disability	.30%
Basic Group Life	.20%
Total	.50%

Defined Compensation (Appendix D) $_____

Disability and Basic Group Life % _____.50%

Disability and Basic Group Life (Defined Comp. x Rate % =) $_____

(Carry to page 16 or page 18, B.3. ELCA Disability and Basic Group Life Benefits)

B.3.b Other Insurance or Benefits

Disability Insurance Supplement

The parish should evaluate the need to provide additional supplemental disability coverage and the advisability of insuring its self-insured obligation. This coverage would be obtained apart from the Portico plan.

Disability Insurance Supplement Premium $_____

(Carry to page 16 or page 18, B.3. Other Insurance Benefits)

Medical and Dental Expense Reimbursement

The Portico Medical and Dental Benefit Plan contains cost sharing provisions. These provisions are too numerous and detailed to describe here; however, the parish and rostered minister should review the rostered minister's exposure to out-of-pocket medical and dental expenses and consider some form of reimbursement for these expenses; such as a congregation medical and dental expense reimbursement plan. Please see Appendix H, page 24 for information about establishing a Flexible Spending Account for the rostered minister.

Medical and Dental Reimbursement $_____

(Carry to page 16 or page 18, B.3 Other Insurance Benefits)

Member Pre-Tax Retirement Contribution

Contributions made as a Member Pre-Tax Contribution on behalf of the rostered minister are not taxable for Federal Income Tax purposes in the year made, but are taxable in the year funds are withdrawn, e.g. in retirement. Additional contributions up to the amount permissible by the Internal Revenue Service may be made to Portico Benefit Services and/or other approved depositories.

If you have questions about this information, please contact Portico Benefit Services at (800)352-2876, or email at <mail@porticobenefits.org>, or visit their website at <https://porticobenefits.org>.

Member Pre-Tax Contribution $_____

(Carry to page 16 or page 18, B.3 Other Insurance Benefits)

Individual Retirement Account (IRA)

Contributions by individuals to the various types of Individual Retirement Accounts may be made in addition to your congregation's ELCA retirement plan contribution. Owning an IRA is desirable as a means of accumulating retirement savings and for receiving a tax deferral on accumulated earnings. Because of the many changes to IRAs in recent years, we urge that you keep up-to-date through competent publications or consulting a tax attorney or CPA.

Individual Retirement Account $_____

(Carry to page 16 or page 18, B.3 Other Insurance Benefits)

B.4 Housing Equity Contribution

When a parsonage is furnished rent-free as part of the pastor's compensation, it must be remembered that the pastor does not have the opportunity to build equity from the property appreciation, as do homeowners. The previous possibility of establishing a Housing Equity Allowance Agreement as a Non-Qualified Deferred Compensation Plan is no longer allowed under Internal Revenue Code, Section 409A. The alternative is to have the congregation make additional contributions to Portico Benefit Services Retirement Account as Housing Equity Contributions (which are also restricted).

If you have questions about this information, please contact Portico Benefit Services at (800)352-2876, or email at <mail@porticobenefits.org>, or visit their website at <https://porticobenefits.org>.

Equity Contribution $_____

(Carry to page 16, B.4 Housing Equity Contribution)

C. EXPENSES

A church is treated like any other organization by the Internal Revenue Service for the purpose of reimbursements to its minister(s) and church employees for expenses incurred while conducting church business. Reimbursements for business expenses are not included in gross income if the church's reimbursing arrangement is considered an "accountable plan." Alternatively, if the church reimburses business expenses under a "non-accountable plan," then the reimbursements are included in gross income and in the case of lay employees included in the employee's wages subject to FICA and income tax withholding.

An "accountable plan" is one that has a business connection, requires the individual to substantiate expenses (receipts, other documentation), and requires the return of any excess reimbursement. The substantiation requirement is met by having the reimbursed individual submit sufficient information to the church that identifies the specific business nature of each individual expense. It is not sufficient merely to aggregate expenses in broad categories such as "travel" or to report individual expenses through the use of vague, non-descriptive terms such as "miscellaneous business expenses." For more information, please check with the IRS or consult with your tax advisor.

C.1 Automobile Expenses

Probably the most common business expense is the reimbursement for automobile business mileage. There are two options available:

- Where extensive driving is required, a parish owned or leased car may be the most economical approach. The personal use portion is included as wages subject to income tax and Social Security.
- Accountable reimbursement plan based on the actual number of miles driven multiplied by the IRS per mile rate. This is the preferable option.

Generally, the amount of per mile reimbursement that a church pays - if less than or equal to the IRS rate - is treated as being substantiated and as paid under an accountable plan, providing that the employee documents the time, place, and business purpose of the reimbursement. If your congregation provides an owned or leased car or pays a flat rate that requires no substantiation, we urge that you become knowledgeable if the IRS rules through competent tax publications or consult a tax attorney or CPA.

Enter Total Automobile Expenses/Reimbursements $_____
(Carry to page 16 or page 18, C.1. Automobile Expense)

C.2 Professional Expenses

Several of the most frequent expenses of Other Professional Expenses are travel expenses (lodging and meals, etc.), books and subscriptions, continuing education, vestments, and professional dues. There may be additional professional expenses in your parish. This matter should be discussed with your rostered minister.

Your congregation may choose to provide a reimbursement for the purchase of books or subscription to periodicals, enabling the rostered leader to keep abreast of developments within the church.

Enter amount of professional expenses $_____
(Carry to page 16 or page 18, C.2. Other)

C.3 Assembly/Conference Expenses

Your rostered minister's attendance at Synod Assembly and conference meetings is an expense of the congregation. Attendance at the assembly of this synod is constitutionally mandated and expenses for registration, lodging, meals, transportation, and other expenses are the responsibility of the congregation. The congregation is to support attendance at conference meetings by payment of registration fees and other expenses. Discuss with your rostered minister their anticipated expenses in connection with assemblies and conference meetings in the coming year.

Enter the amount of the allowance for assembly and conference expenses $_____
(Carry to page 16 or page 18, C.3. Expenses for official meeting of the synod)

C.4 Continuing Education Funds

The ELCA recommends that all rostered ministers participate in a minimum of fifty (50) hours of continuing education annually. Two (2) weeks of continuing education time (including Sundays) are provided. Such activities are intended to improve ministry and are not considered vacations. The best way to encourage your rostered minister's continuing growth is to provide the money (C.4.) and the time (D.2.) (on the 2026 Worksheet Summary) that make continuing education activities possible. The rostered minister and the congregation should put aside funds in a special account for continuing education. The congregation's share is $700 or more per year with the rostered minister contributing $300 annually.

Enter annual continuing education allowance $_____
(Carry to page 16 or page 18, C.4. Continuing Education)

C.5 Pastoral Supply Rates

One Service:	$200.00
Two Services on the same day:	$250.00
Three Services on the same day:	$300.00

(*plus mileage) *The mileage reimbursement for each round trip is at the prevailing IRS rate.

Add $50 for each additional service (i.e. more than three Sunday morning services) For example, four Sunday morning services are $350 [$300 three service rate + $50 one Sunday extra flat rate = $350].

Add $70 for each additional service **other than** Sunday morning (i.e. on Saturday evenings). For example, one Saturday evening and two Sunday morning services are $320 [$250 for two services + $70 Saturday evening flat rate = $320].

Pastoral Supply for one service includes: Sunday morning, Saturday evening, Sunday evening, weekday, and weekday evening services. For example, a single Maundy Thursday evening service is $200; a single Sunday evening service is $200.

Any pre-recorded service separate from in-person worship will be compensated as an additional service. The cost guidelines above apply to this service as well. The technology support will be provided by the congregation.

D. AGREEMENT

D.1 Vacation

The need for an annual vacation is self-evident. A rostered minister is frequently under much stress in their vocation and needs time away. The standard within our synod is to grant a minimum vacation of four weeks, including four Sundays. The congregation should consider granting additional vacation time based on the length of service in the ministry. The length of vacation time, the number of Sundays, and when vacation time is to be taken are all matters that need to be discussed openly with your rostered minister and should be considered an important part of his/her compensation.

Further, a minimum of one day off each week is a necessity. After discussing with your rostered minister, note the agreement in the space below.

The vacation agreement with our rostered minister is as follows:

Vacation of_____weeks per year, including_____Sundays.

D.2 Continuing Education Time

The ELCA (1997 Assembly Action – "Life-Long Learning and Development for Faithful Leaders") recommends that all rostered ministers participate in a minimum of fifty (50) hours of continuing

education annually. Two (2) weeks of continuing education time (including Sundays) are provided. Such activities are geared to strengthen and enhance the rostered minister's ministry and are not intended or considered to be vacations. Continuing education time is understood to incorporate a holistic and systematic approach to life-long learning and development including but not limited to "spiritual disciplines, habits of personal study, regular worship, self-care, involvement in the wider community, participation in intentional colleague groups, and peer review as appropriate for personal and vocational development." (ELCA document "Life-Long Learning and Development for Faithful Leaders")

D.5 Sick Leave

The rostered minister should be compensated for days of work missed due to illness as mutually agreed upon in advance.

D.6 Parental Leave

A specific Parental Leave Plan for rostered ministers should be carefully drafted. This plan should include twelve weeks of parental leave with full salary, housing, and benefits, but not less than eight weeks, to be taken within the first twelve months following the birth of a child or the placement of an adopted child. Any other specific conditions should be clearly defined in a written document. (Adopted by Synod Council, November 9, 2024, SC24.11.51.)

D.7 Sabbatical Leave

Congregations are encouraged to grant a three-month sabbatical leave to a rostered minister every seven years of service in that parish. An alternative option could be to offer a one-month sabbatical every three years of continuous service. This leave is granted to provide an opportunity for the rostered minister to take an extended period of time for study, spiritual growth, skill development, research, and experimentation all for the purpose of enrichment for continued service in the church.

This leave would be granted, with full pay, following each interval of three years or seven years of continuous service in the same parish. After this sabbatical the rostered minister will remain in the same parish for at least one year.

Arrangements for pastoral coverage of the congregation during the sabbatical will be made by both the rostered minister and the Congregation Council and shall be satisfactorily completed prior to the beginning of the sabbatical leave.

See Lower Susquehanna Synod Model Sabbatical Leave Guidelines amended by the Synod Council, November 19, 2022 (SC22.11.80.) https://www.lss-elca.org/wp-content/uploads/Model-Sabbatical-Leave-Guidelines-SC-amended-11-19-2022.pdf

D.8 Holidays

Time away from the parish must be made available in observance of recognized holidays. How many days and when they are observed must be mutually agreed to in advance to accommodate the needs of both the parish and the rostered minister.

APPENDIX A
2026 Worksheet Summary
Parish Budget for Minister of Word and Sacrament

A. COMPENSATION

- ***With a Parsonage:***

1. Base Salary $_____
2. Housing as parsonage (use Fair Rental Value) $_____
3. a. Household furnishings allowance* $_____
   b. Utilities allowance* $_____
   (*Note: list these amounts only if they are paid to the pastor directly)
4. Total of lines 1 + 2 + 3 $_____
5. Social Security tax allowance (8.29% minimum of line 4) $_____
   The pastor pays social security tax on the total defined compensation (Line 6). The 8.29% value is applied to line 4 so that this amount is equal to 7.65% of Line 6. 7.65% is the employer's share of the total 15.3% Social Security Tax
6. Total of lines 4 + 5 (this is the annual defined compensation) $_____

- ***Without a Parsonage:***

1. Base Salary + Housing Allowance (Housing Allowance for pastors only) $_____
2. Social Security tax allowance (8.29% - see note in line 5) $_____
3. Total of lines 1 + 2 (this is the annual defined compensation) $_____

B. RETIREMENT AND OTHER BENEFITS

The congregation will sponsor the minister of word and sacrament in Portico Benefit Services of the Evangelical Lutheran Church in America, which provides retirement, disability, basic group life, and medical-dental coverage. *(Sponsorship will include medical-dental coverage for the individual's 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 Portico Benefit Services.)*

1. Portico Retirement at _____% of defined compensation $_____
2. Portico Medical and Dental Insurance (check one in each option below): $_____

PLAN OPTION?	*a. Select Copay 2000* ☐	*b. Select HDHP* 2000* ☐		
	c. Value Copay 4000 ☐	*d. Value HDHP* 4000* ☐		
If Select HDHP 2000 or Value HDHP 4000 chosen?	*Employer HSA optional* *Monthly* ☐ *One-time* ☐	*AMOUNT $_____*	*Limited-Purpose Health Flexible Spending Account (FSA)*	*Member only contribution* ☐
Plan Member Coverage?	*a. ELCA Primary* ☐	*b. Medicare Primary* ☐	*c. Family waived* ☐	
Spouse or ESGP Coverage?	*a. None* ☐	*b. ELCA Primary* ☐	*c. Medicare Primary* ☐	*d. Waived* ☐
Child(ren) Coverage?	*a. None* ☐	*b. ELCA Primary* ☐	*c. Medicare Primary* ☐	*d. Waived* ☐

**HDHP – High-Deductible Health Plan*

3. Disability and Basic Group Life Benefits (Defined Comp. x Rate % =) $_____

   Other insurance or benefits:_____ $_____
   _____ $_____

4. Housing Equity Contribution (if parsonage is provided) $_____
   (*Note: This amount is paid to the Portico Benefit Services and goes directly into the pastor's retirement account pre-tax.)

C. EXPENSES

The congregation will provide for the following expenses related to this pastor's ministry.

1. Automobile and travel allowance $_____
2. Other professional expenses $_____
3. Expenses for official meetings of the synod, as reimbursed $_____
4. Continuing education *($1,000 recommended; minimum $700 from calling source)* $_____
5. Other_____ $_____
6. Pay the moving expenses to this field of service as follows: _____

_____

D. AGREEMENT

1. Vacation time of_____weeks per year, including_____Sundays (recommended minimum four weeks, including four Sundays);
2. Continuing education time of_____weeks per year (recommended minimum of two weeks per year that may be accumulated up to three years, as reflected in a continuing-education agreement developed by the pastor and congregation council);
3. Participation in a First-Call Theological Education Program, where applicable;
4. Ongoing care through a Mutual Ministry Committee;
5. Up to two months of continued salary, housing, and contributions to Portico Benefit Services in a 12-month period in the event that the pastor is physically or mentally disabled*;
6. Where applicable, twelve weeks of parental leave with full salary, housing, and benefits, but not less than eight weeks, to be taken within the first twelve months following the birth of a child or the placement of an adopted child; and
7. Sabbatical Policy, as applicable.

TOTAL BUDGET FOR MINISTRY OF WORD AND SACRAMENT FOR 2026 $_____

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

Congregations are encouraged to use the background and rationale contained in this manual (Appendix E, p.24), in communicating total compensation for budgeting purposes.

APPENDIX B
2026 Worksheet Summary
Parish Budget for Ministers of Word and Service

A. COMPENSATION

The congregation will provide the following annual compensation: $_____

B. RETIREMENT AND OTHER BENEFITS

The congregation will sponsor the minister of word and service in Portico Benefit Services of the Evangelical Lutheran Church in America, which provides retirement, disability, basic group life, and medical-dental coverage. *(Sponsorship will include medical-dental coverage for the individual's 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 Portico Benefit Services.)*

1. Portico Retirement at _____% of defined compensation $_____
2. Portico Medical and Dental Insurance (check one in each option below): $_____

PLAN OPTION?	*a. Select Copay 2000* ☐	*b. Select HDHP* 2000* ☐
	c. Value Copay 4000 ☐	*d. Value HDHP* 4000* ☐

If Select HDHP 2000 or Value HDHP 4000 chosen?	*Employer HSA optional* *Monthly* ☐ *One-time* ☐	*AMOUNT $_____*	*Limited-Purpose Health Flexible Spending Account (FSA)*	*Member only contribution* ☐
Plan Member Coverage?	*a. ELCA Primary* ☐	*b. Medicare Primary* ☐	*c. Family waived* ☐	
Spouse or ESGP Coverage?	*a. None* ☐	*b. ELCA Primary* ☐	*c. Medicare Primary* ☐	*d. Waived* ☐
Child(ren) Coverage?	*a. None* ☐	*b. ELCA Primary* ☐	*c. Medicare Primary* ☐	*d. Waived* ☐

**HDHP – High-Deductible Health Plan*

3. Disability and Basic Group Life Benefits (Defined Comp. x Rate % =) $_____

Other insurance or benefits:_____ $_____
_____ $_____

C. EXPENSES

The congregation will provide for the following expenses related to this position.

1. Automobile and travel allowance $_____
2. Other professional expenses $_____
3. Expenses for official meetings of the synod $_____
4. Continuing education *($1,000 recommended; minimum $700 from calling source)* $_____
5. Other_____ $_____
6. Pay the moving expenses to this field of service as follows: _____
_____

D. AGREEMENT

1. Vacation time of_____weeks per year, including_____Sundays (recommended minimum of four weeks, including four Sundays);
2. Continuing education time of_____weeks per year (recommended minimum of two weeks per year that may be accumulated up to three years, as reflected in a continuing-education agreement developed by the deacon and congregation council);
3. Participation in a First-Call Theological Education Program, where applicable;

4. Ongoing care through a Mutual Ministry Committee;
5. Up to two months of continued salary, housing, and contributions to Portico Benefit Services in a 12-month period in the event that the deacon is physically or mentally disabled;
6. Where applicable, twelve weeks of parental leave with full salary, housing, and benefits, but not less than eight weeks, to be taken within the first twelve months following the birth of a child or the placement of an adopted child; and
7. Sabbatical Policy, as applicable.

TOTAL BUDGET FOR MINISTERS OF WORD AND SERVICE FOR 2026 $_____

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

Congregations are encouraged to use the background and rationale contained in this manual (Appendix E, p.24), in communicating total compensation for budgeting purposes.

APPENDIX C

[The following forms may be utilized in developing a housing allowance for the pastor, and can be adapted for Utility and/or Furnishing Allowance]

PASTOR'S ESTIMATE OF EXPENSES TO PROVIDE A HOME

TO: *[Name of Congregation]*

FROM: *[Name of Pastor]*

DATE:

SUBJECT: Housing (Utility and/or Furnishing) Allowance for the Calendar year _____.

The amounts set forth below are the amounts I expect to spend during the period indicated above to rent or otherwise provide a home for my family and me.

1. Rent expense to provide a home $_____

2. Expenses toward the purchase of a home (down payment, settlement costs, mortgage payments of principal and interest) $_____

3. Garage rental (if not included above) $_____

4. Utilities (gas, electricity, telephone, water, sewer, fuel oil, refuse removal, firewood, cable) $_____

5. Insurance (homeowner, fire, extended coverage, liability, contents, flood) $_____

6. Repairs and maintenance (lawn mowing, snow removal, payments to plumbers, electricians, etc.) $_____

7. Furnishings and improvements $_____

8. Real estate taxes (County, City/Township, School) $_____

9. Other housing expense incurred to provide a home (attach an itemized list) $_____

Total $_____

_____

Pastor's Signature

APPENDIX C CONTINUED

CONGREGATION COUNCIL ACTION
ON
HOUSING (UTILITIY and/or FURNISHING) ALLOWANCE

(For Minister of Word and Sacrament Only)

Whereas, the Internal Revenue Code (section 107) provides that ministers of word and sacrament who rent or own their homes exclude from Federal Income Tax that portion of gross income used to rent or provide a home; and

Whereas, to take advantage of such exclusion, the congregation must designate an allowance paid to the pastor as part of compensation; and

Whereas, the Internal Revenue Code only permits housing allowance designations to be effective from the date of enactment (enacted prospectively); and

Whereas, the Congregation Council has reviewed and gave consideration to the pastor's estimate of expenses to provide a home for the calendar year 20___; therefore, it is hereby

Resolved, that the total compensation paid to the Rev._____for the calendar year 20___, shall be $_____, of which $_____is hereby designated to be a housing (utility and/or furnishing) allowance pursuant to section 107 of the Internal Revenue Code; and it is further

Resolved, that the designation of $_____as a housing (utility and/or furnishing) allowance shall apply to calendar year 20___ and all future years unless otherwise provided.

The above resolution was duly adopted by the Congregation Council of _____ Lutheran Church at a regularly scheduled meeting held on December____, 20___, a quorum being present.

_____
(Secretary Signature)

NOTIFICATION OF HOUSING ALLOWANCE BY CONGREGATION

(Date)_____

Dear Pastor_____:

This is to advise you that at a meeting of the Congregation Council held on_____, 20___, a housing allowance for the year 20___, was designated in the amount of $_____. Accordingly, $_____of the total compensation payable to you during the year 20___ will constitute housing allowance and $_____will constitute "salary" [1]

Sincerely yours,

Secretary of Congregation Council
_____Lutheran Church

[1] As interpreted by the Internal Revenue Code comprises base salary and social security allowance.

NOTIFICATION OF UTILITIES AND/OR FURNISHINGS ALLOWANCE BY CONGREGATION

(Date)_____

Dear Pastor_____:

This is to advise you that at a meeting of the Congregation Council held on_____, 20___, a utilities and/or furnishings allowance for the year 20___ was designated in the amount of $_____. Accordingly, $_____of the total compensation payable to you during the year 20___ will constitute utilities/furnishings allowance and $_____will constitute "salary" [1]

Sincerely yours,

Secretary of Congregation Council
_____Lutheran Church

[1] As interpreted by the Internal Revenue Code comprises base salary and social security allowance.

APPENDIX D

DETERMINATION OF ANNUAL DEFINED COMPENSATION
for the
Portico Retirement Plan and Other Benefit Program

Determination of Annual Defined Compensation:

1. Annual Base Salary: $_____
   (Before Reduction of Salary for TSA)

2. Housing:
   Housing Allowance (if pastor)
   OR
   Use Fair Rental Value if parsonage
   or other housing is provided $_____

3. Household Furnishings and Utilities Allowance
   (If paid directly to pastor when a parsonage is provided) $_____

4. Social Security Tax Allowance
   $_____

ANNUAL DEFINED COMPENSATION (Total 1+2+3+4) **$**_____

Annual Defined Compensation should also include:

- Additional tax-sheltered annuity (TSA) contributions made through a voluntary salary reduction agreement between the rostered minister and the congregation (includes tax-sheltered contributions made to financial institutions other than Portico Benefit Services)

Annual Defined Compensation should **not** include:

- Utilities paid directly by the congregation to the utility company
- Housing Equity contributions made by the congregation to the optional Retirement Plan or to another financial institution in addition to salary
- Additional contributions made to the Regular Retirement Plan
- Automobile Allowance/reimbursements
- Book Allowance
- Continuing Education Allowance

APPENDIX E

RATIONALE FOR RECOMMENDATIONS ON 2026

COMPENSATION AND BENEFITS FOR ROSTERED MINISTERS OF THE LOWER SUSQUEHANNA SYNOD

Frequently, congregations look to a synod for guidance in developing their compensation and benefits packages. The policy of the Evangelical Lutheran Church in America recognizes that compensation and benefits are in the purview of the congregation. This synod offers these recommendations in an effort to be supportive to congregations as they work through compensation negotiation with the ministers of word and sacrament or ministers of word and service to come to mutual agreement.

The Synod Assembly has advocated by its adoption of these recommendations Salary Development Worksheets for both Ministers of Word and Sacrament and Ministers of Word and Service which take into consideration merits for previous and current achievements and ministries. It is the intention of the Synod Assembly that congregations not compensate any less than the calculated amounts.

APPENDIX F

DEBT LOAD OF NEW ROSTERED MINISTERS

Many recently graduated rostered ministers have accumulated debt from tuition and other expenses related to their years of undergraduate and graduate study. Congregation Mutual Ministry Committees are encouraged to be sensitive to this financial burden when discussing the issue of a fair and equitable compensation package for their rostered minister.

APPENDIX G

PORTICO BENEFIT SERVICES

The contribution rate structure reflects the geographic cost differences in health care by assigning each synod to one of six rate classes. Class 1 comprises the lowest percentage, with percentage rates increasing for each class through class 6. The rate classes are established using the general level of salaries and the geographic health care cost differences within the synod. For 2026 the Lower Susquehanna Synod remains in rate class 2.

For more information, please contact Member Services, Portico Benefit Services. Telephone: (800)352-2876, Email <mail@porticobenefits.org>, Internet <https://porticobenefits.org>

APPENDIX H

FLEXIBLE SPENDING ACCOUNT

Many ELCA ministers and lay employees of ELCA congregations and organizations are looking for ways to help pay for rising out-of-pocket health care and/or dependent care expenses. One way to help soften the burden of these increasing costs is through flexible spending accounts.

A flexible spending account (FSA) is a type of "cafeteria plan." With a FSA plan, ELCA congregations and organizations (i.e., employers) can enable their employees to set aside payroll dollars on a pre-tax basis to pay for certain out-of-pocket expenses, including:

1. certain health care expenses that are not paid for or reimbursed under the ELCA Health Benefits Plan or other health coverage, and
2. eligible dependent day care expenses.

Individual congregations and organizations can administer an FSA plan. However, congregations and organizations are encouraged to work with an outside company that specializes in these types of plans. Because there are tax implications FSAs should be administered by someone who knows the rules. Confidentiality concerning reimbursements of health claims is also important. You can contact Portico Benefit Services at (800)352-2876 to ask questions about FSA.

APPENDIX I

PASTORS' DISCRETIONARY FUND

TAX IMPLICATIONS

It is a fairly common practice for a congregation to set aside a sum of money in a discretionary fund and give the pastor the sole authority to distribute money from the fund. In some cases, the pastor has no instructions regarding permissible distributions. In other cases, the congregation establishes guidelines, but these often are oral and may be ambiguous. Many clergy and congregation treasurers are unaware of the potential tax consequences of these arrangements. Therefore, the Synod Council has requested that the Finance and Budget Committee make known tax consequences related to discretionary funds to the rostered leaders and congregations of our synod. The tax consequences of some of the more common arrangements can be illustrated in the following situations.

SITUATION 1

The congregation or congregation council has established a discretionary fund giving the pastor full and unrestricted discretion to distribute it.

To the extent the pastor has the authority to distribute any portion of the discretionary fund for any purpose, including a distribution to him or herself, without any oversight or control by the governing board renders the entire fund being reported as taxable income to the pastor in the year it is funded. This is so even if the pastor in fact does not personally benefit from the fund. The mere fact that the pastor could personally benefit from the fund is enough for the fund to constitute taxable income. The basis for this is the constructive receipt rule, which is set forth in income tax regulation 1.451-2(a):

> *"Income although not actually reduced to a taxpayer's possession is constructively received by him in the taxable year during which it is credited to his account, set apart for him, or otherwise made available so that he may draw upon it at any time, or so that he could have drawn upon it during the taxable year if notice of intention to withdraw had been given. However, income is not constructively received if the taxpayer's control of its receipt is subject to substantial limitations or restrictions."*

A discretionary fund constitutes taxable income to a pastor, when the pastor has the authority to *"draw upon it at any time"* for his or her own personal use. This means that the fund was established without any explicit prohibition against personal distributions.

Congregation member gifts to the fund would not be tax-deductible as charitable contributions since the fund is not subject to the full control of the congregation or its governing board. For a charitable contribution to be tax-deductible, it must be subject to the full control of the congregation or other charity. The IRS stated the rule as follows in an important ruling:

> *"The test in each case is whether the organization has full control of the donated funds, and discretion as to their use, so as to insure that they will be used to carry out its functions and purposes."*

If a congregation sets up a discretionary fund and authorizes a pastor to make distributions from the fund for any purpose without any oversight or control by the congregation, this fundamental test is not met.

SITUATION 2

The congregation established a discretionary fund giving the pastor discretion to distribute it for any purpose, but the congregation's governing board retains administrative control over the fund.

Under this scenario the fund would still constitute taxable income to the pastor, but the contributions of congregation members to the fund probably would be tax-deductible as charitable contributions since the congregation's board exercises control over the funds. Board control could be established if the board simply reviewed all distributions to ensure consistency with the congregation's exempt purposes.

SITUATION 3

The congregation established a discretionary fund giving the pastor discretion to distribute it only for specified purposes (such as relief of the needy) that are consistent with the congregation's exempt purposes. The pastor does not qualify for distributions and in fact is prohibited from making distributions to him or herself. The congregation's governing board retains administrative control over the fund.

A discretionary fund established by a resolution of a congregation's governing board that absolutely prohibits any distribution of the fund for the pastor's personal use, will avoid the constructive receipt rule and no portion of the fund represents taxable income to the pastor. In the words of the income tax regulations, *"income is not constructively received if the taxpayer's control of its receipt is subject to substantial limitations or restrictions."*

To avoid the reporting of the entire discretionary fund as taxable income to the pastor, it is essential that the fund be established by means of a congregation or council resolution establishing a discretionary fund policy that absolutely prohibits any use of the fund by the pastor for personal purposes.

A written policy adopted by the congregation or the council will assure that pastors can avoid the constructive receipt of taxable income and donors can be given reasonable assurance of the deductibility of their contributions if a discretionary fund policy satisfies the following conditions:

1. The congregation gives a pastor the discretion to distribute the fund only for specified purposes (such as relief of the needy) that are consistent with the congregation's exempt purposes as set forth in its charter.
2. The congregation policy prohibits the pastor from distributing any portion of the fund for him or herself or any family member.
3. The congregation or its council retains administrative control over the fund to ensure that all distributions further the congregation's exempt purposes.

Sample Policy

Congregation Name
Discretionary Fund
Statement of Policy
Adopted by the Congregation (or Congregation Council)
(Date Adopted)

1. The Congregation (Congregation Council) hereby authorizes the establishment of a checking account with the funds being held in the name of this congregation.

2. This congregation shall acknowledge offerings and other contributions to this fund. Donations from individuals are considered to be tax-deductible as charitable contributions. It is understood that none of the funds received and deposited into the discretionary fund is constructively received for tax purposes by the pastor.

3. The Congregation (Congregation Council) gives the pastor discretion to distribute money from this fund only for needs or projects that are consistent with this congregation's exempt purposes.

4. The pastor is prohibited from using any portion of the fund for personal purposes or making distributions to him or herself or to any family member.

5. The Congregation (Congregation Council) retains administrative control over this fund to ensure that all distributions are consistent with the congregation's exempt purposes.

WHAT IS CHARITY?

Pastors who are authorized to distribute discretionary funds for benevolent purposes must recognize that the IRS interprets the term charity very strictly. More is required than a temporary financial setback or difficulty paying bills. Pastors should keep this important point in mind when making distributions from a discretionary fund. The income tax regulations define charitable to include relief of the poor and distressed or of the underprivileged. The regulations define needy as being a person who lacks the necessities of life, involving physical, mental, or emotional well-being, as a result of poverty or temporary distress. Examples of needy persons include a person who is financially impoverished as a result of low income and lack of financial resources, a person who temporarily lacks food or shelter (and the means to provide for it), a person who is the victim of a natural disaster (such as fire or flood), a person who is the victim of a civil disaster (such as civil disturbance), a person who is temporarily not self- sufficient as a result of a sudden and severe personal or family crisis (such as a person who is the victim of a crime of violence or who has been physically abused). Treas. Reg. 1.170A- 4A(b)(2)(ii)(D).

SHOULD RECIPIENTS RECEIVE A 1099?

In general, a 1099-MISC form is issued only to self-employed workers who are paid compensation. Since most recipients of a pastor's discretionary fund do not perform any services for their distribution, no 1099-MISC is required. IRS Letter Ruling 9314014.