# The Diocese of Virginia
## Compensation and Benefit Guidelines
### Effective January 1, 2015

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Overview

The initial element in deriving a suggested increase in compensation for the ordained and lay employees in the Diocese of Virginia is tied to the cost-of-living index established by our nation's government for those receiving Social Security benefits. A secondary range of more localized inputs, as described in the paragraph below, are used for a Virginia-biased adjustment figure. Local church leaders may choose to consider compensation levels of similarly engaged professionals for information that may serve as a comparative guide in addition to these diocesan guidelines.

As with recent years, the guidelines for federal employee increases from the United States Department of Labor, the Office of Personnel and Management and the Bureau of Labor Statistics (South Urban USA) were used in computing the recommended guidelines, as well as data from the Church Pension Group (CPG), the Federal Reserve, the Virginia Retirement System, and the Virginia Employment Commission and Office of Compensation and Policy. Consideration is given to year-to-date information for the Consumer Price Increase for 2014, trailing 12-month inflation trend and projections for both CPI and inflation for 2015.

Please note that several requirements of General Convention 2009 and 2012 impact budgeting throughout the Church. Effective January 1, 2013, there was a required Lay Pension provision, except for non-parochial schools. While the use of the Denominational Health Plan was mandatory as of January 1, 2013, the health insurance parity requirement was delayed until January 1, 2016. The model for parity developed by the Executive Board can be found on our website. In 2015 all churches and entities under the authority of the Church who have not already there should be moving towards full compliance.

CPG compensation data places Virginia clergy among the highest in the Episcopal Church (based on a “full-time” proxy cash compensation of $32,252, plus housing, as a threshold per the Compensation Report last issued in September 2014). The median total compensated income for a clergy person in Virginia, using September 30, 2014 data, is $75,466. The median career service for these Virginia clergy is 11.04 years of compensated ordination.

It should be understood that any stated median in such studies for our clergy is weighted towards the larger population areas in Northern Virginia and Richmond. While the suggested compensation increase is weighted using data from across the diocesan boundaries, wardens and vestries should take into account the cost of living in their specific area. Compensation levels are closely tied to the size of a congregation and “span of control”, referencing the complexity of operations for which an ordained employee might have responsibility.

Understanding that governmental COLA adjustments strongly impact the calculations, and that the domestic and global economies are tenuous, at best, the 1.5% – 1.7% estimated increase planned for Social Security in 2015 drives the suggested minimum cash compensation increase for Diocese of Virginia employees for 2015 of +1.873%.
Clergy Compensation
Salary Tiers

The salary tiers reflect extensive analysis of clergy service by CPG. Also taken into account for these guidelines are span of control and how churches with multiple staff support their clergy. For a number of years, we have tracked an analysis of medians in credited service, cash compensation, total compensation, as well as averages for each of those elements. A current review of the tiers for 2015 confirms that the tiers remain reasonable in their breakpoints in regards to years of service.

Please consider the following chart that now includes the minimum suggested cash salary, as well as basic adjustments to create a minimum total compensation package (to include cash salary, SECA and housing). The housing figure of 30% is the baseline adjustment that CPG will make for clergy in provided housing. As of June 30, 2014, the average portion of clergy compensation in Virginia reported as housing is 34.4%, so, while the majority of clergy provide their own homes, the long-standing CPG formula for clergy in church-provided housing (30% of cash compensation + utilities) remains valid. Given the complexity of clergy compensation, this grid may give a better overall picture of compensation models. This is a model, not a directive, so please think first of a total compensation package to include a reasonable and tax code compliant amount for housing and also one-half of SECA.

The following model is recommended for minimum total compensation for full-time clergy in 2015:

<table>
<thead>
<tr>
<th>2015</th>
<th>Deacon</th>
<th>Priest 1 year up to 3 years</th>
<th>Priest 3 years up to 7 years</th>
<th>Priest 7 years up to 12 years</th>
<th>Priest 12 years up to 18 years</th>
<th>Over 19 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$36,800.00</td>
<td>$40,430.00</td>
<td>$45,610.00</td>
<td>$48,980.00</td>
<td>$56,230.00</td>
<td>$71,780.00</td>
</tr>
<tr>
<td>Housing (34.4%)</td>
<td>$12,659.20</td>
<td>$13,907.92</td>
<td>$15,689.84</td>
<td>$16,849.12</td>
<td>$19,343.12</td>
<td>$24,692.32</td>
</tr>
<tr>
<td>SECA</td>
<td>$3,783.63</td>
<td>$4,156.85</td>
<td>$4,689.44</td>
<td>$5,035.93</td>
<td>$5,781.34</td>
<td>$7,380.13</td>
</tr>
<tr>
<td>Total for Pension</td>
<td>$53,242.83</td>
<td>$58,494.77</td>
<td>$65,989.28</td>
<td>$70,865.05</td>
<td>$81,354.46</td>
<td>$103,852.45</td>
</tr>
</tbody>
</table>

The chart above is only for your convenience in understanding how compensation might be broken out for those clergy in various brackets of experience. The housing portion is specific to each cleric's own situation and housing arrangement.

For currently employed clergy, the suggested guideline for 2015 is a minimum +1.87% increase in cash compensation. It is also recognized that local circumstance must be considered in applying the suggested increase. In some instances, vestries will wish to recognize excellence in leadership by their clergy (or lay) employees. Such increases serve both to reward excellent service in the past and to encourage the same in the future.

The Diaconal compensation guideline is intended for the transitional deacon. In the Diocese of Virginia, it is assumed that the newly ordained deacon is paid at this suggested level for one full calendar year and that compensation at the initial priest level begins at the conclusion of that 12-month period.
Clergy – Part-Time

In calculating the total cost of a part-time package, all facets of compensation need to be considered. **For example**, compensation and benefits for a **three-quarter time** clergy position might entail the following:

a. 75% of the full-time minimum standard cash salary for years of experience.

b. The fair rental value housing allowance or provision of a rectory; but the fair market value as defined is the cap, not 75% of the fair-market value.

c. SECA reimbursement, explained below, of 7.65% of the sum of cash salary and housing (plus utilities) allowance.

d. Pension premium amounting to 18% of the total of salary, housing allowance, and SECA. Additional elements of pension calculation can be found at the Church Pension Group web pages located at [www.cpg.org](http://www.cpg.org).

e. Health Insurance with the minimum standard being in accord with General Convention (2009) Resolution A177, and the actions of General Convention (2012) that require that clergy working in excess of 1,500 hours per year (three-quarter time), be provided said health insurance. Such provision will be in concert with the parity model as developed by the Diocese of Virginia.

f. Negotiable items include: Dental Insurance, Long-term Disability Insurance, Life Insurance, a budgeted amount for travel, a budgeted amount for continuing education and an agreement on paid versus unpaid leave.

While there is a canonical requirement for the payment of pension for (almost) all clergy, if a clergy person functions at a rate such as half-time, or one-quarter time, it is expected that commensurate compensation and benefits will be provided.

Clergy – Housing

“Allowance” Overview and Vestry Duties

The “parsonage allowance” as it is called by the IRS, must conform to the tax code. The Clergy Housing Allowance Clarification Act of 2002 made clear the tax code in terms of the “fair rental value” test for those clergy who own their own home.

The fair market rental value of a fully furnished home, plus utilities, is the target amount to be established to reflect the cost of either clergy-owned or church-provided housing.

The housing allowance, or the “parsonage allowance”, is not subject to income tax, but is subject to self-employment tax. When the term “housing/parsonage allowance” is used, it is meant to include housing, utilities, furnishings, etc. Even though clergy receive a tax benefit from the housing allowance, they are still allowed to deduct mortgage interest and real estate taxes as itemized deductions. The housing allowance is reported in Box 14 of the W-2, which is an information only box, and noted as “Section 107 Allowance - $XXX,XXX”. Section 107 of the Internal Revenue Code outlines the parsonage allowance.

The allowance must still be church designated (typically prior to beginning of the next fiscal year), and must be done proactively, meaning that it cannot be acted upon retroactively to suit a specific situation. Clergy and churches are encouraged to discuss any needed amendments and plan for the allocation for 2015.
The vestry should periodically review the allowance to make sure only allowable costs are taken into account and that the designated allowance is within reason. The vestry should be familiar with the terms of what the limits are in considering the fair rental value, fully furnished with utilities, for such a residence.

At the time of a cleric’s death, the parsonage allowance terminates for the surviving non-clergy spouse from that point forward. For the surviving non-clergy spouse, the parsonage allowance will be pro-rated for tax purposes for the year in which the clergy spouse dies.

**Housing – Clergy Couples**

Clergy couples are limited to the equivalent of one housing allowance between the two incomes. In this instance, clergy need to be mindful of the amount requested by each spouse in the annual housing allowance resolution of their respective Episcopal Church employer.

**Sample Housing Resolutions can be found on our website.**

**Shared Equity**

As a means to attract clergy, the use of a “shared equity” arrangement may be a great tool in negotiating a Letter of Agreement (LOA). If such an agreement is utilized, it must be part of the LOA (or a revised LOA) agreed to by the cleric and vestry. In short, “shared equity” means that the clergy person and the church will be partial owners of a purchased residence. This is a legal contractual arrangement and the use of a real estate attorney is recommended to make sure that titling is appropriate for Virginia.

As a result of this split ownership, this property is not absolutely church-owned, and does not qualify to be free of property tax.

There are several models to use in such arrangements. The most common involves a simple “percentage of ownership” based on the purchase price and this is the same percentage used at the time of sale to divide proceeds (assuming any capital improvements were shared equally). As this is typically done to facilitate down payments, it is common to have a buy-out provision after a specific time (typically three to five years), giving the clergy person the ability to repay the church its proportionate share of the current market value and therefore the cleric would own the house outright.

If you have a question on this topic, please call the diocesan Office of the Treasurer if you have questions as a template has now been developed.

**Equity Fund/Equity Allowance**

Clergy should keep in mind that this is an optional agreement, and not an entitlement. Church leaders should keep in mind the use of an equity fund as a means to attract, reward and retain excellence.

For clergy who reside in church-owned housing, vestries may consider the use of a housing allowance equity fund. This could be accomplished by using a 403b product, such as the RSVP product of the Church Pension Fund. This benefits the clergy in that such a fund provides a substitute for the appreciation of owning a home in the area served. The use of such a fund would serve the church well in helping to retain experienced and beloved clergy.
These funds are generally put in place to assist the clergy with living arrangements in retirement, as they may have not had a chance to build adequate equity or cash reserves while residing in church-owned housing. Please keep in mind that, as an employer-paid benefit, the amount contributed would be included in the total compensation assessable for pension.

Some models for such funds might include:

a. The estimated annual appreciation of the market value of the parsonage. For example, a home valued at $200,000, in an area appreciating at 1.5%, would require an annual contribution of $3,000.

b. A baseline amount that increases on an annual basis to a certain level ($500 in year one, $1,000 in year two, etc. up to $2,500/year, or some agreed upon maximum)

c. A flat percentage of compensation (1% of total assessable compensation, for example).

There are many options in setting up an equity allowance, but a floor (the lowest possible amount) and a ceiling (the highest possible amount) for any given year should be included in the design to consider the minimum and maximum ranges that a church might face when funding such a benefit.

Clergy - Work After Retirement

Once an ordained person is retired under the rules of the Church Pension Fund, and is still under 72 years of age, they may not earn more than 50% of the median compensation for all active clergy. This threshold is determined by the Church Pension Fund each year.

For 2015, this median amount is a $36,500 threshold. The 2016 threshold figure will be released by the Church Pension Fund by the end of 2015.

If a church employer wishes to employ a retired cleric that either

(a) directly retired from that same church, or
(b) will receive remuneration in excess of the threshold (again, $36,500 in 2015),

then the church must speak with the Bishop of Virginia and work jointly to complete an “Application for an Exception to the Rules for Work After Retirement”. This form can be found on the Church Pension Group web site.

The Bishop must also include a letter detailing why such an exception, rather than hiring an active clergy person, is important to the mission strategy of the church and of the diocese. It is not often that the Bishop will consider doing so and local church leadership must make an excellent case.

Given that the request being made is to allow a priest to exceed an already generous threshold and yet effectively taking a position an active priest might be engaged in, but still receiving full pension benefits, the Church Pension Fund takes a very hard view of such applications. The application can be found in the forms section of www.cpg.org and planning by local church leadership should allow enough time such that, if the Bishop agrees to petition the Church Pension Fund review board, a final application may be delivered no later than six months prior to the suggested start of the exception period.

If approved, the exception is for a one-year period only.
In addition, there is no need to request an exception if:

1. The retired cleric is working outside of the Episcopal Church, meaning:
   a. The retired cleric is working for another denomination
   b. The retired cleric is working in a secular position.
2. The retired cleric will receive less than the threshold amount in any 12-month period from a specific Episcopal Church employer.
3. The retired cleric is at least 72 years of age and is NOT seeking to be employed at the church from which they retired.

Additional information on the “WAR” rules may be found on the Church Pension Group website, or you may call the Treasurer of the Diocese of Virginia for advice.

Compensation – Laity – Benefits - Pension

In adopting Resolution A138, General Convention 2009 approved the canonical change requiring the provision of a pension benefit for any lay employee of the Episcopal Church employed (and compensated) for 1,000 hours or more per year and to utilize the Church Pension Group standards as a baseline. This provision for these “eligible employees” was to be in place no later than January 1, 2013. General Convention 2012 reaffirmed the actions of 2009, but did allow an extension for schools ONLY for full compliance, extending these school employers a compliance requirement to January 1, 2018, but using a specific phase-in period.

There are two standard types of plans for the provision of a lay pension: a Defined Benefit Plan (DB) and a Defined Contribution Plan (DC). If a church is not yet offering lay pension benefits and will be required to do so based on current staffing, it is strongly suggested that contact be made with the Lay Pension Client Engagement office at Church Pension Group at 1-800-936-7349. A great deal of information can be found at www.cpg.org/laypensions including details on plan designs, enrollment and ongoing benefit management.

In short, the DB plan is much like the clergy pension plan, with an employer contribution (“assessment”) of nine-percent of total compensation. The employee is guaranteed a benefit by formula based on compensation and years of service. The DC plan requires a minimum base contribution by the employer of five-percent of total compensation, and a required match of employee contributions up to an additional four-percent.

This means the employer is capped in either plan to a minimum exposure of nine-percent of total compensation, although the employer can be more generous if they so choose. The DB plan does not require any investment decisions to be made by the employee while the DC plan does require the employee to elect specific investment funds for the money contributed on their behalf.

Forms for registration for churches and employees are available on the CPG web site. Please call the Treasurer’s office for additional help, or call the CPG Lay Pension Services office at 1-866-802-6333.
Laity – Survey of Compensation

The Office of the Treasurer issues a survey each year asking the churches of the diocese to provide compensation information on compensated lay employees. This data is compiled into several usable formats and then posted on the diocesan website for the general use of the diocese. The report provides information on a dozen or so typical staff positions, the number of hours employed per week, the paid compensation and the various benefits provided to that staff person.

The information is presented in both a diocesan-wide summary of these named positions, but also by merging the 15 Regions of the diocese into geographically similar reports. The 2014 report is posted to the diocesan web at this link: http://www.thediocese.net/Resources/Finance/Lay_Compensation/

Insurance
Disability – Long-Term

The Diocese of Virginia sponsors a Long-Term Disability (LTD) product that is available to all employees of the churches and diocesan entities. The current carrier is Mutual of Omaha Life Insurance Company. Mutual of Omaha is well-known as a leader in providing employee disability benefits. This Mutual of Omaha LTD product provides a benefit of up to 60% of salary up to $5,000 per month, up to age 65. This benefit is accessible after a 90 day waiting period, which coordinates with social security benefits. A more complete description is available from the Treasurer’s Office in Richmond.

The cost of coverage is computed on a compensation “volume” basis. This volume is at a monthly cost of $0.31 per $100 of covered payroll. The contract with Mutual of Omaha was renewed in 2012, and has a new three-year agreement running through 2015. This being the case, we have locked in continued lower rates than six other carriers who bid and have done this over a longer period, which is a benefit to all involved.

Our Mutual of Omaha LTD coverage also allows each employer to decide if an employer-paid benefit or an employee-paid benefit is preferred. The reason for this choice is taxation related. If there is a claim and the benefit is employer-paid, the disability payments to the employee are taxable income. If there is a claim and the benefit is employee-paid, there is no taxable income to the employee. The employer can also provide the benefit as a “gross-up” model, by which the employee’s compensation is increased in the amount of the currently paid amount by the employer and then the premium is reduced from the employee’s compensation. By “grossing up” the compensation, the employee benefits from what the employer is typically already paying. As noted, all employees of the Church working at least 1,000 hours per year (clergy and lay) are eligible to participate in this program.

If you have questions about the LTD product and inclusion for staff (clergy and/or lay), please call Ms. Millie Lofton or Mrs. Joy Buzzard, at 1-800-DIOCESE, or you may email them at mlofton@thediocese.net or jbuzzard@thediocese.net. The diocesan staff handles the group billing, as it does for the health and dental plans.

A disability benefit is also included within the clergy pension benefits, and it is a modified type of LTD insurance. For a better understanding, please consult the Church Pension Fund benefits handbook. You can find the current handbook at www.cpg.org and look under publications.
Disability – Short-Term

The Church Life Insurance Corporation (CLIC), a division of the Church Pension Group, administers a Short-Term Disability plan for the benefit of the Episcopal Church. UNUM is the short-term disability carrier for the CLIC program. We have had rare premium increases for this product and 2014 saw no such increase in rates. Church Life Insurance Corporation will notify all participating churches and institutions that have currently enrolled lay employees of any future increase. UNUM is a recognized leader in this type of insurance and the Diocese of Virginia has utilized UNUM in prior years for diocesan-managed disability insurance products.

This is a long-standing covered benefit for **ALL** Episcopal Clergy with pension assessments paid up to date. Lay employees of the Church are eligible to participate in this same program and churches would be billed directly for this coverage based on the lay employee’s total annual compensation. As part of a benefits expansion by CPG, the waiting period was waived for maternity-based Short-Term Disability claims; however, this was for clergy **ONLY**. CPG staff has advised the Bishop’s office that they are working on addressing this lack of equality.

This product primarily covers shorter-term medical leaves, including maternity leave as noted above, but this type of policy also acts to cover the time period up to a Long Term Disability product’s start date. Studies have shown that roughly 30% of the working population will have been disabled at some point in their working career.

While the clergy benefit is built into the pension plan, eligible lay employees are those working at least 20 hours per week. The CLIC policy provides payments up to 70% of total compensation as reported to CPG, up to $1,000 per week, for up to 52 weeks. There is a 30-day waiting period (“deductible”) for each claim. In the event of a claim, UNUM would pay the employer directly and the employer would continue to pay the employee.

The rates for 2015 have not yet been finalized; however the 2014 rates are shown below for budgeting purposes.

<table>
<thead>
<tr>
<th>Salary</th>
<th>Monthly Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $25,000</td>
<td>$8.00</td>
</tr>
<tr>
<td>$25,000 to $44,999</td>
<td>$17.50</td>
</tr>
<tr>
<td>$45,000 and above</td>
<td>$32.00</td>
</tr>
</tbody>
</table>

Information can be found on the Church Pension Group web site, [www.cpg.org](http://www.cpg.org). Assistance for this product can also be obtained by dialing **1-866-802-6333**.

Dental Insurance

An optional dental plan is also offered on a **church by church** basis. The Diocese of Virginia is self-insured and Anthem Dental continuing to be the administrator for 2015. Rates will be unchanged for the new year and are noted here:

<table>
<thead>
<tr>
<th>Carrier</th>
<th>Single</th>
<th>Couple</th>
<th>Parent/Child</th>
<th>Parent/Children</th>
<th>Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthem Dental</td>
<td>$20</td>
<td>$45</td>
<td>$55</td>
<td>$55</td>
<td>$75</td>
</tr>
</tbody>
</table>
Health Insurance

General Convention 2009 passed a canonical change that created a Denominational Health Plan (DHP) to be managed by the Medical Trust of the Church Pension Group. This canon requires all persons employed (and compensated) for 1,500 hours or more per year to be provided health insurance by their church employer and to utilize the DHP no later than January 1, 2013.

The Diocese of Virginia transitioned to the DHP as of January 1, 2011. Our Virginia Canon 31 requires participation in the plan as chosen by the diocese, so participation is mandated on two levels. Those persons already granted exceptions to the diocesan plan are allowed such exceptions under the DHP and that information is made known to the Medical Trust.

After several excellent years of experience-rated premiums, the diocese has suffered numerous “shock” losses which adversely impact our rating. Our plans, with an overall loss ratio of over 123%, received very similar adjustments, increasing 15% (on average) for the 2015 plan year. The continuation of all carriers/plans will be reviewed in the summer of 2015.

Monthly rates for the period through December 31, 2015 are found on our website at www.thediocese.net/Services/Finance/http-www-thediocese-net-resources-finance-Insurance-Benefits-.

2013 brought with it the availability of having Medicare-eligible (65+ year-old) employees use a designated “MS” Medicare Secondary-Payer plan, meaning Medicare would be the primary payer for health insurance. Available plans were reviewed and, for a variety of reasons, and we will continue to use the same three plans for the 2015 plan year. The rates for these plans can be found here on our website www.thediocese.net/Services/Finance/http-www-thediocese-net-resources-finance-Insurance-Benefits-.

The diocesan web site provides a great deal of information on this subject, especially as we continue with a multi-carrier, multi-option environment. New employees should be enrolled, or a waiver of participation requested, within 30 days of the date of hire. The annual open enrollment period for the Diocese of Virginia will be announced and will likely be mid-October but possibly as late as early November. Questions about the diocesan health or insurance plans, enrollment, and assistance in resolving benefit management problems may be addressed to Ms. Laura Hicks at the Mayo Memorial Church House.

As noted earlier, the canonical change for the Episcopal Church to establish, diocese by diocese, a standard of parity in provision of benefits for clergy and laity was delayed for implementation by three years, so that coverage must be in place by January 1, 2016.

Parity means that eligible employees are provided the same level of coverage at the same level of cost to the employee, regardless of being ordained or lay. The Executive Board of the diocese worked on models for this standard during 2010 through 2012, leading up to General Convention 2012. Once a standard benefit level is established at the local church employer level, an employer may provide health insurance benefits in excess of the standard, as long as all eligible employees receive the same level of benefit. The Executive Board approved model can be found on our website and, as we move towards 2016, these guidelines may be revised.
Life Insurance – Group Term

A diocesan sponsored life insurance policy is available through Church Life Insurance Corporation (CLIC). It is available in a base rate of 1x (“one times”) annual compensation. For clergy, the compensation should include the total compensation reported to the Church Pension Group for assessments.

Enrollment forms MUST be completed and returned to the Diocese within 30 days of employment OR the employee must provide additional documentation AND can be denied coverage.

The 2015 diocesan group rate for this amount of coverage is $0.45 per thousand per month, which is the same as our 2006-2014 rates. For long-term planning purposes, use the 2015 rating schedule, if you are planning for 2016.

Please check with CPG representatives for current information on enrollment. You may contact Church Life at 1-800-480-9967.

Life Insurance - Supplemental

The Church Life Insurance Corporation provides a voluntary product to allow clergy and lay staff to acquire up to $500,000 in additional life insurance in incremental amounts (based on additional multiples, like the base rate --- 1x, 2x, etc.) Spouses of enrolled employees are also eligible for up to $240,000 of coverage and dependents may obtain coverage up to $10,000. Rates are age-based per $1,000 of coverage.

The CLIC office in New York has notified all churches and clergy that this product is available. Please advise staff to call the main customer service number at 1-866-802-6333 for information on this supplemental life insurance product.

An employee who is enrolled in the underlying Group Life product has 31 days to respond from the date of the offer letter mailed by CLIC to the employee’s reported address. A revised guideline for the Supplemental Life product is available on the Church Pension Group website.

This product does not have a regular open enrollment period beyond the 31-day window noted above.

Imputed Value of Group Term Life Insurance

Please keep in mind that a group life insurance policy of “4x current assessable compensation”, up to $100,000 in value, is provided to all active clergy whose pension fund assessments are up to date. This is provided at no cost to the clergy or to the employing church entities.

Also, lay employees who participate in the Defined Benefit Pension Plan through the Church Pension Fund are provided a group life insurance policy of 2x current compensation, up to $50,000 in value, at no cost to the employee or the church. These coverages are provided by a decision of the Trustees of the Church Pension Fund.

Please Note: In accordance with IRC section 79, any person who receives group life insurance benefits in excess of $50,000, must recognize an incremental amount of income because of this cover and this
income must be reported on their W-2 form in Box 12, Code C. This only applies to GROUP life
insurance products, not to any individual policies the employee may have. For information on how to
calculate the value of GTL, please refer to the annual Tax Guide prepared for the Church Pension Fund
and found on their website http://www.cpg.org.

Medicare Supplement

A very generous Medicare supplement is available through the Church Pension Fund. Details can be
found at https://www.cpg.org/retired-clergy/insurance/health-and-wellness/medicare-supplement/.

Vestry Considerations
Continuation of Benefits

It is recommended that Letters of Agreement include a “continuation of benefits” clause that would cover
the immediate period following the death of an actively employed cleric or lay employee. However unlikel
y this event has been in the history of the Diocese of Virginia, the clause should provide the surviving
spouse, and especially when dependent children are involved, a minimum of the cash equivalent of all
unused vacation time, one month of full cash compensation and up to two months of health insurance.

As noted previously in these guidelines, the tax code allowance for a parsonage value terminates upon the
death of the cleric, except in the case of a clergy couple. While this pro-rata parsonage allowance is a tax
issue for the family, the total compensation of a deceased cleric should still be paid.

Churches may certainly be more generous in their support of the decedent’s family.

Continuing Education

It is recommended that all contracts or Letters of Agreement for clergy and key lay professionals include a
“continuing education” amount that would cover the materials, expenses or participation in appropriate
ongoing professional training for the employee. Like other professionals, the ordained and lay
professionals of your church are generally expected to continue to broaden their experience and education.

The 2006 General Convention affirmed the canonical requirement of Title III, Canon 9, Section 1, which
speaks to the use of continuing education to support the vocational demands of our clergy.

Churches are to assist their clergy in this regard in terms of both time and financial support. Churches are
encouraged to allow at least two weeks a year and budget at least $500 per year for each member of their
clergy staff for this purpose. The cleric, in turn, should report back to the church leadership as to how the
experience provided impacted their ministry. Such continuing education time should be approved in
advance by the vestry or vestry committee.

Similar expectations are suggested for the support of the lay professionals employed by the church.
As funds provided for use in a church discretionary fund are donor-directed gifts for “charitable and pious uses”, the use of such funds by a cleric for expenses related to any approved continuing education is not endorsed, and may create a tax issue for the cleric. Professional development funds should be prospectively budgeted for in the operational budget of the church.

Maternity and Paternity Leave

The 194th Annual Council of the Diocese of Virginia adopted Resolution R-14 in 1989. This resolution provided instruction to the Compensation Committee of the Diocese of Virginia for the development of a standard maternity and/or paternity policy for full-time ordained employees. Their report to Wardens and Vestries of the diocese reads in part:

**Parental Leave:** Regarding Resolution R-14 adopted at the 194th Annual Council of the Diocese of Virginia, the Committee recommends as a guideline that vestries provide maternity leave of eight weeks with full compensation for full-time parochial clergy mothers, and provide paternity leave of ten days (not including Sundays) with full compensation (within one year of the date of the birth of the child) for full-time parochial clergy fathers. This recommended benefit should be independent of any sick leave policy or vacation time.

Again, as a reminder, the Short-Term Disability insurance is included as part of the overall benefits for clergy through the Church Pension Fund when all assessments are up-to-date in payments. Lay employees would have to have Short-Term Disability insurance paid for and as noted previously under the Short-Term Disability section of these guidelines, that billing process is directly through the church employer.

**PLEASE NOTE:** The Church Pension Fund has waived the 30-day waiting period for clergy only for filing a Short-term Disability claim when the claim is due to a pregnancy. This should be kept in mind by both the ordained employee and the employing church entity.

Although this section on “Maternity and Paternity” is a guideline of the Diocese of Virginia, and not a requirement, generosity in this area is encouraged for the well being of your church staff. Resolution R-14 in 1989 does not address the example of adoptive parents; much less clergy versus lay, but it is encouraged that the church employer gives adequate consideration to the special needs of adoptive parents and to the needs of their lay staff.

As the Diocese of Virginia seeks to bring more young people into leadership roles in the ordained ministry, as well as lay professionals, maternity and paternity leave requests will become more prevalent and as fiduciaries of church resources, we should plan accordingly.

Sabbatical Leave

The 193rd Annual Council received a report from the Standing Committee recommending sabbatical guidelines for clergy and lay professionals. That report states that a periodic sabbatical is a healthy and effective means of preventing burn-out and of renewing and enhancing a church professional’s capabilities for dealing effectively with problems facing those who need help.
The report defines a sabbatical as a three to six-month period of renewal, away from the normal workplace, usually no more frequently than once every five to seven years. Full compensation and benefits are paid to persons on sabbaticals. The specific provision of this should be included in a Letter of Agreement between a church and a cleric and is suggested to be added to a church personnel manual.

1. The sabbatical is intended to provide rest and renewal, but should have a structure to it. Planning for the sabbatical is just as important for the clergy or lay professional as it is for the church. The planning process can be broken into three phases: the pre-sabbatical or planning phase; the sabbatical itself; and the post-sabbatical phase.

2. During the first phase, the objectives of the sabbatical should be defined in general terms and a flexible plan should be developed to achieve those objectives. The plan might involve group study, travel, writing, or some combination of all three, blended with a good measure of relaxation and family time.

3. The second phase is the sabbatical and the person should follow a flexible approach to pursuing the planned objectives, bearing in mind that the overall goal is rest and renewal, not rigid adherence to a prescribed plan of action.

4. The third phase is a time of adjustment for both the person returning and for those who have coped with that person's absence. A form of feedback should be provided through face-to-face dialogue, or in the form of a written report.

Funding for sabbaticals may be budgeted for or may be sought from grant-making bodies such as the Lilly Foundation. It is suggested that the materials be reviewed carefully. Here is the link for Lilly Grants: http://www.lillyendowment.org/religion_ner.html

Funds used for sabbatical purposes are fully taxable with the exception of:
   A. Those funds used for continuing education expenses substantiated by invoices/receipts and,
   B. The expenses for the employee to travel to/from the continuing education location. The expenses associated with any family members are taxable if paid from accrued/acquired sabbatical funds.

As with the Continuing Education section of these guidelines, funds provided for use in a church discretionary fund are donor-directed gifts for “charitable and pious uses.” The use of such funds by a cleric for expenses related to an approved sabbatical is not endorsed, and may create a tax issue for the cleric. Again, these sabbatical leave funds should be prospectively budgeted for in the operational budget of the church.
Other Items

❖ The Church Pension Group’s website at www.cpg.org contains many items useful in the administration of your church ministry, such as the information on clergy taxation, and forms such as change in compensation and materials on lay pension, as well as the link for www.mycpg.org where churches will be responsible for maintaining their employee rosters.

❖ Treasurers, parish administrators and clergy may also find additional information and useful forms at both the website of the Social Security Administration (www.ssa.gov), and at the website of the Internal Revenue Service (www.irs.gov). Each of these sites is remarkably good.

❖ Encourage all staff to have a will prepared, and to review existing documents. If they have not, it is a great service of a church to arrange for a will-writing session. It is never too early to have your affairs in order. If there is an existing will in place, it should be reviewed to keep the document current, especially if guardianship of children is involved, or if the will was written with reliance upon another state’s property and estate laws. Consideration of a bequest to the Church is encouraged as a means of stewardship of God’s gifts.

❖ The Treasurer’s Office maintains a number of pages on the diocesan website with helpful financial/benefits documents for your use, http://www.thediocese.net/Services/Finance.