

Clergy Compensation and Benefit Guidelines for Parochially Employed Clergy in the Diocese of Virginia

Effective January 1, 2010 (Revised 1/6/10)

The starting point for determining clergy compensation increases in the Diocese of Virginia is tied to the cost-of-living index established by our nation's government. While there has been thought given in the past to comparing clergy salaries to a variety of professional groups, a range of inputs are used for a common adjustment figure as shown below. Local church leaders may want to consider contacting a relevant local group, or local churches, 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 the recommended guidelines, as well as data from the Church Pension Fund, the Virginia Department of Human Resource Management, and the Virginia Employment Commission and Office of Compensation and Policy. Also taken into account were year-to-date information for the Consumer Price Increase for 2009, trailing 12-month inflation trend and projections for both CPI and inflation for 2010.

The Church Pension Fund reports that the median compensation of Virginia clergy is again among the highest in the Episcopal Church (based on a "full-time" proxy cash compensation of \$32,000 as a threshold for 2009). The median income for a clergy person in 2009 in Virginia was \$71,551, which was up 4.1% from \$68,735 in 2008. For the purposes of this report, 207 persons met the proxy threshold as of September 1, 2009. The median career service for these clergy is 12.667 years of compensated ordination. It is understood that this median clergy income is weighted towards the larger population areas as our clergy in Northern Virginia and Richmond comprise 82 and 50, respectively, of the 207. Wardens and vestries in all areas of the diocese should take into account the cost of living in their specific area.

The salary tiers were recently adjusted after an extensive analysis of clergy service as calculated by the Church Pension Group. Two years of analysis showed not only a higher median but also a higher average length of service and it was felt that a slightly different division was needed for the ranges for the cash portion of compensation. 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, SECA and housing). The housing figure of 30% is the baseline adjustment that the Church Pension Group will make for clergy in provided housing. As of September 1, 2009, the average portion of clergy compensation in Virginia reported as housing is **34.27%**. This grid may give a better overall picture to thinking about compensation for your clergy. Think first of a total compensation package, and then figure out what is a reasonable (and tax code compliant) amount for housing.

Understanding that economic drivers such as inflation and governmental COLA adjustments impact the calculations, and we are in extraordinary times, the suggested **minimum** cash compensation increase for Diocese of Virginia clergy employees for 2010 is **0.60%**. The following is then recommended for 2010:

Compensation - Minimum Starting Salaries and Estimated Total Compensation

| | Cash Salary | Housing (30%) | SECA | Total |
|-----------------------------|-------------|---------------|----------|-----------|
| Transitional Deacon | \$ 34,100 | \$ 10,230 | \$ 3,391 | \$ 47,721 |
| Priest (1-2 years) | \$ 37,500 | \$ 11,250 | \$ 3,729 | \$ 52,479 |
| Priest (3-6 years) | \$ 42,500 | \$ 12,750 | \$ 4,227 | \$ 59,477 |
| Priest (7-12 years) | \$ 45,500 | \$ 13,650 | \$ 4,525 | \$ 63,675 |
| Priest (13-17 years) | \$ 52,250 | \$ 15,675 | \$ 5,196 | \$ 73,121 |
| Priest (18+) | \$ 66,750 | \$ 20,025 | \$ 6,638 | \$ 93,413 |

For currently employed clergy, the suggested guideline for 2010 is a minimum **0.60%** increase in cash compensation. It is also recognized that local circumstance may need to be considered when applying these increases. In many instances, vestries will wish to recognize excellence in leadership by their clergy (or lay) employees. In these instances, merit increases over and above the minimum of **0.60%** ought to be considered and offered. Such increases serve both to reward excellent service in the past and to encourage the same in the future. The Diaconal compensation guideline assumes that the newly ordained deacon is paid at this level for one full year and that compensation at the priest level begins at the conclusion of that 12-month period.

Compensation – Employment - Clergy and the Social Security Self-Employment Tax (SECA)

Clergy compensation should include an amount equal to 7.65% of total compensation, which represents one-half the self-employment tax rate up to the ceiling (**\$106,800** for 2010---held flat as there was no COLA for Social Security paid benefits) for Social Security. The Medicare portion of this tax is 1.45%, which does not come under any ceiling. The SECA contribution by the church is fully taxable income for the cleric. This amount is also included in the pension calculations as shown in the chart on page one of these guidelines.

The **2011** ceiling should be available in the fourth quarter of 2010 from the Social Security Administration committee with oversight.

Note: The Internal Revenue Code states self-employment tax (SECA) is payable on cash salary, a utility allowance, and the parsonage (“housing”) allowance. Federal income tax is *also* payable on that portion of a parsonage allowance not otherwise used to provide the housing (“excess allowance”).

Compensation - Employment - Part-time Clergy

Full-time employment in the Diocese of Virginia is calculated at 5 1/2 days a week, including Sunday worship. Part-time positions are to be calculated as a percentage of days to be worked per week against 5 1/2 days. For example, compensation for a one-half time position would entail the following:

- a. 50% of the full-time minimum standard cash salary;
- b. The fair rental value housing allowance, or provision of a rectory; but the fair market value as defined earlier is the cap
- c. SECA reimbursement of 7.65% of sum of cash salary and housing (plus utilities) allowance;
- d. Pension premium amounting to 18% of salary, housing allowance, and SECA;
- e. Health Insurance with the minimum standard being the provision of individual coverage of a plan equal to that of other full-time church employees;
- f. Items that are negotiable include: Dental, Long-term Disability and Life Insurance, a budgeted amount for travel, a budgeted amount for continuing education and an agreement on paid versus unpaid leave.

Compensation - Employment - Supply Clergy

As a means of budgetary planning, supply clergy are typically paid by the day for the number of services officiated. If you ask additional services of the clergy, such as adult forums, hospital visitations, and so on, please consider that with a \$71,551 median compensation for full-time clergy in Virginia, an hourly rate would be \$34.40.

As you ask your supply priests to assist you, please consider the additional time involved to prepare and travel for services and other duties and not just the time frame for your church services.

For 2010, it is suggested that a cleric be paid **\$150** for one service, **\$200** for two services and **\$250** for three or more services.

Mileage should also be reimbursed at the standard diocesan rate, which is **50 cents** per mile for **2010**. The mileage rate mirrors the Federal Governments use of the IRS determined “standard mileage rate” which is defined for business and is based on an annual study of the fixed and variable costs of operating an automobile. This figure may be adjusted in 2010 and changes to diocesan guidelines based on any adjustments will be made known as soon as possible by the Office of the Treasurer.

Compensation – Employment - Vocational Deacons

Diaconal ministry is understood as one which takes on the characteristics of both servanthood and leadership. The diocese anticipates ordaining persons to the vocational diaconate during 2010. There is a sample Letter of Agreement (LOA) on the diocesan web site, and this information will continue to expand over time.

Our model will typically mean a three-year placement by the Bishop and with the agreement of the clergy in charge of a church. The Bishop may also place a deacon in a mission church to serve as the representative of the Bishop. Deacons will typically not receive compensation (salary, housing or housing allowance, pension payments) beyond reimbursement for required expenses, such as mileage. Provision may also be made for access to church discretionary funds. They shall be entitled to periods of leave from professional responsibilities according to their LOA.

As the diocese becomes more familiar with the role and responsibilities of the vocational diaconate, additional information will be included in these guidelines, as well as on the diocesan web site.

Compensation – Employment - Pension

The canons of the Church require payment of pension assessment by churches of 18% of the total of:

| | |
|---|----------------------------|
| 1. Cash Salary | \$ _____ |
| 2. Utilities (either allowance or paid by parish) | \$ _____ |
| 3. SECA Reimbursement | \$ _____ |
| | Subtotal A \$ _____ |
| 4. Plus Housing (30% of above subtotal or actual allowance) | \$ _____ |
| 5. Employer Paid 403b Plan Contribution (This could be “Equity Allowance”) | \$ _____ |
| | Subtotal B \$ _____ |
| 6. Pension Assessment Subtotal B times 18% | \$ _____ |

Please note:

1. This assessment is **required** to be paid for any clergy employed in an Episcopal church for three consecutive months at more than \$200 per month. It **may** be paid on behalf of parochially employed clergy who earn less than \$200 per month. Each amount is exclusive of travel expenses.
2. The revised Church Pension Fund benefits guide is available on the CPG website. It is highly recommended that all clergy read this immensely helpful booklet to better understand the contribution, pre-retirement planning and active retirement phases of the CPG benefits, as the benefits continue to expand.
3. All clergy should understand that there is a **two-year** window in which they can make corrections to compensation as reported to CPG. Once this period has passed, benefits are based on the locked in figures. Two annual statements from CPG go to all clergy and these reports update clergy on known compensation known employers and credited service time as a priest of the Church. It is the responsibility of the clergy to verify the information on these documents when they are received.
4. The Church Pension Fund also provides every clergy person with an edited copy of a guide for the preparation of each year’s taxes. This document can be given directly to an individual’s tax preparer for clarification on clergy taxation.
5. The Church Pension Fund provides much more than simply retirement funds for Episcopal Clergy. Additional information, including a full definition of “cash salary” components can be found at the www.cpg.org website.

Compensation - Housing - Overview

The diocesan guideline for housing and utilities was established in 1985. The housing allowance, or “parsonage allowance” as it is called by the IRS, must conform to the tax code. **The Clergy Housing Allowance Clarification Act of 2002 makes clear the tax code in terms of the “fair rental value” test for those clergy who own their own home.** The fair 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 in local markets.

The new act voids the decision in Warren v. Commissioner [TC 23 (2000)], which had reversed the test referenced above and which had modified Section 107 of the Internal Revenue Code, which had been unaltered since 1971.

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 should be 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 this must be done in advance of the allowance being taken, meaning that it cannot be acted upon retroactively to suit a situation. Clergy and churches are encouraged to discuss any needed amendments for year 2010 and plan for the allocation for 2011, but please note that a housing resolution is still prospective in nature and cannot look backward prior to the point of revision.

Compensation - Housing – Vestry Duties

The vestry should periodically review the allowance to make sure only allowable costs are taken into account and that the designated allowance is clearly in line with the fair rental value, fully furnished with utilities, for such a residence.

Utilities:

The diocesan guideline for housing and utilities was established in 1985. In part, it provides for a utility allowance for those clergy who own their home or for those clergy in church-provided 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 vestry or vestry committee.

If either spouse has access to a 403b retirement plan, such as the RSVP plan through the Church Pension Group, a judicious use of the aggregate housing allowance being split between a clergy couple can maximize the use of such a plan. 403b plans **do not** count the housing/parsonage allowance in the base for computation, so sharing the allowance properly can maximize use of the plan.

It is strongly suggested that clergy consult their financial advisor and/or accountant in the decision-making process for the housing allowance.

At the time of a cleric's death, the parsonage allowance terminates for the surviving spouse from that point forward. This does not apply in the case of a clergy couple. 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.

Please note: At the vestry meeting prior to the beginning of a new calendar year, a housing resolution should be passed for each clergy person employed by a church. This resolution should clearly state what the housing/utility allowance will be for the clergy person in question for the coming year. It must be done, for the tax code clearly disallows any claimed reductions not covered. Please bear in mind that the housing resolution is in force from the point it is adopted. It cannot be implemented in a retroactive manner.

Compensation - Housing – Sample Parsonage Allowance Resolutions

Resolution of the Church of the Holy Grail, Richmond December XX, 20XX

1. If the clergy person lives in his or her own house or rents a non-church owned house

Whereas the Rev. Jane Smith is employed as a minister of the Gospel by Church of the Holy Grail in Richmond, Virginia, which does not provide a residence for her, the vestry resolves that of the total annualized compensation of \$(total amount) to be paid to the Rev. Smith during 20XX, that \$(housing amount) be designated a parsonage allowance within the meaning of that term as used in Section 107 of the IRS Code of 1986, and clarified by the Clergy Housing Allowance Clarification Act of 2002.

2. If the clergy person lives in church-provided housing

Whereas the Rev. John Doe is employed as a minister of the Gospel by Church of the Holy Grail in Richmond, Virginia, which, although providing a residence for him, does not provide full cost of maintaining and furnishing such a residence, the vestry resolves that of the total annualized compensation of \$(total amount) to be paid to the Rev. Doe during 20XX, that \$(utility/furnishing allowance amount) be designated a parsonage allowance within the meaning of that term as used in Section 107 of the IRS Code of 1986, clarified by the Clergy Housing Allowance Clarification Act of 2002.

In either case, it would serve the church well to include the caption that “this stated parsonage allowance will remain in effect unless modified and approved by the church.” This caption will protect the church and the benefits to the clergy person if the approval does not happen until January or February of a particular year.

Compensation - Housing - Estimation of Parsonage Allowance for the tax year 20_____

\$ _____ Fair rental value of residence

\$ _____ Insurance (property and contents)

\$ _____ Utilities:

Electricity \$ _____

Gas \$ _____

Heating Oil \$ _____

Water/Sewer \$ _____

Trash/Waste \$ _____

Local Telephone \$ _____

Misc (Basic Cable TV, etc) \$ _____

Total _____

\$ _____ Household Furnishings

Appliances \$ _____

Interior Decorations \$ _____

Exterior Decorations \$ _____

Seasonal Decorations \$ _____

Furniture (indoor/outdoor) \$ _____

Electronics (TVs, Stereo) \$ _____

Misc (dishes, piano, etc) \$ _____

Tools and Equipment \$ _____

Total _____

\$ _____ Yard Maintenance/landscaping/gardening/pool

\$ _____ Maintenance items (light bulbs, cleaning supplies, etc.)

\$ _____ Homeowner Association Dues

\$ _____ **Total Projected Expenses**

Compensation - Housing - Equity Assistance/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 three or five years, giving the clergy person the ability to repay the church their proportionate, and current, ownership share and own the house outright.

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

Compensation - Housing - Equity Fund/Equity Allowance

For clergy who reside in church-owned housing, vestries should 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 would mimic the appreciation of owning a home in the area served, and it 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. 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 a contribution of \$3,000.
- b. A baseline amount that increases on an annual basis to a certain level (\$1,000 in year one, \$1,500 in year two, etc.).
- c. A flat percentage of compensation (2% of total assessable compensation, for example).

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

Clergy should keep in mind that this is an optional benefit, 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.

Benefits - 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 carrier was changed as of October 1, 2009 and is now 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 diocesan offices in Richmond.

The cost of coverage is computed on a compensation “volume” basis. This volume is at a cost of \$0.31 per \$100 of covered payroll, which is a savings over the prior carrier. The new contract is a three-year agreement, so we have locked in lower rates than current over a longer period, which is a benefit to all involved.

This new coverage also allows each employer to decide if an employer-paid benefit (as with prior contract) or an employee-paid benefit (new option) 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, but 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 (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 in the clergy pension benefits, and it is a 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.

Benefits - Insurance – Disability - Short-Term

The Church Life Insurance Corporation (CLIC), a division of the Church Pension Group, administers a Short-Term Disability plan, with coverage provided through Unum Provident. This product primarily covers shorter-term medical leaves, including maternity leave, but also acts to cover the time period up to a LTD product's start date. In either case, the CLIC policy provide payments up to 70% of total compensation as reported to CPG, up to \$1,000 per week, for up to 52 weeks.

Since January 1, 2004, this has been a covered benefit for ALL Episcopal Clergy who have their pension assessments paid up to date. In the event of a claim, Unum would pay the employer directly and the employer would continue to pay the employee. Church Life Insurance Corporation can be reached at 1-800-223-6602. The primary person to contact is Ms. Pattie Christensen. Lay employees of the Church are eligible to participate in this program and churches would be billed directly for this coverage. Information can be found on the Church Pension Group web site, www.cpg.org.

Unum Provident (the short-term disability carrier) implemented a premium rate increase in 2008 for the short-term disability plan. This was the first premium increase we have had in many years and 2009 saw no such increase in rates. Church Life will notify all parishes that currently have enrolled lay employees of any future increase. Monthly premiums as of **January 1, 2010** are shown below:

| Salary | Monthly Premium |
|----------------------|-----------------|
| Less than \$25,000 | \$8.00 |
| \$25,000 to \$44,999 | \$17.50 |
| \$45,000 and above | \$32.00 |

Benefits - Insurance - Health Insurance

Participation in the diocesan health insurance plan is required by diocesan canon. An optional dental plan is also offered on a church by church basis. The insurance carrier Anthem BCBS provides both the health and dental plans. The Diocese of Virginia continues a multiple-option plan design for 2010 for the majority of covered participants, offering a Point of Service option (POS) and two levels of HMO plans. For those persons without a choice of plan designs due to location, a Preferred Provider Organization (PPO) plan is offered. Monthly rates for the period through **December 31, 2010** are as follows:

| Coverage Level | POS | HMO1 | HMO2 | Dental | PPO |
|-------------------|----------|---------|----------|--------|---------|
| Single | \$ 470 | \$ 425 | \$ 345 | \$ 30 | \$ 490 |
| Parent + Child | \$ 885 | \$ 800 | \$ 630 | \$ 60 | \$ 910 |
| Parent + Children | \$ 885 | \$ 800 | \$ 630 | \$ 95 | \$ 910 |
| Couple | \$ 950 | \$ 880 | \$ 710 | \$ 60 | \$ 990 |
| Family | \$ 1,505 | \$1,375 | \$ 1,100 | \$ 95 | \$1,515 |

Questions about the diocesan health insurance plan, enrollment, and assistance in resolving problems may all be addressed to Ms. Laura Cramer at the Mayo Memorial Church House.

General Convention 2009 passed a canonical change that will create a Denominational Health Plan (DHP). You may find additional information on this change at the Church Pension Group web site. In short, this will require all persons provided health insurance by their church employer to utilize the DHP. This would follow our Virginia Canon 31, which requires the use of the diocesan plan, and as we plan to abide by General Convention, this would mean adoption of the DHP for our use. A transition to the DHP is expected to be effective 1/1/2011. Those persons currently granted exceptions to the diocesan plan will be allowed such exceptions under the DHP.

Procedural matters for transition, as well as exceptions to the DHP, will be explained in supplemental information to be provided throughout 2010. It is expected that 2011 carriers, plan types and their relevant pricing will be known by mid-October 2010.

Benefits - Insurance - Life Insurance

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”) compensation, rounded to the next highest thousand. For clergy, the compensation should include the *total compensation* reported to the Church Pension Group for assessments.

The 2010 rate for this amount of coverage is **\$0.45** per thousand per month, which is the same as our 2006-09 rates. For planning purposes, use the 2010 rating schedule for 2011, as the diocesan group rate has changed very infrequently.

There is an open enrollment period for parishes and institutions not currently participating in the Group Life insurance plan. Materials are typically mailed in October, and all forms must be returned to CLIC by November 30 of each year. The effective date of this coverage will be January 1, 2010. Please check with CPG representatives for current information on enrollment.

Benefits - Insurance - Life Insurance - Supplemental

The Church Life Insurance Corporation has released a voluntary product to allow clergy (and lay staff) to acquire 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 this product.

The CLIC office in New York has notified all churches and clergy that this product is available. Ms. Pattie Christensen at the Church Pension Group, 1-800-223-6602, x8333, is our contact for 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. If you cannot reach Ms. Christensen, please call the main customer service number at 1-800-480-9967.

Benefits - Insurance - Life Insurance – Tax Issues

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. This coverage is provided by a decision of the Trustees of the Church Pension Fund. **This was a change effective January 1, 2009.**

Note: In accordance with IRC section 79, any person who receives **group** life insurance benefits in excess of \$50,000, an incremental amount of income must be declared on the W-2 form in Box 13. This only applies to GROUP life insurance products, not to any individual policies the employee may have. In any year in which the IRS modifies its table of “imputed income” the diocesan office will issue a notice advising of the change. As of January 1, 2010, it is understood that the following is the most recent tax table to compute the “imputed income” of this benefit.

| Age Bracket | Rates Per \$1,000 of all Group Life Insurance Coverage Per Month over \$50,000 |
|-------------|--|
| Under 25 | \$0.05 |
| 25 to 29 | \$0.06 |
| 30 to 34 | \$0.08 |
| 35 to 39 | \$0.09 |
| 40 to 44 | \$0.10 |
| 45 to 49 | \$0.15 |
| 50 to 54 | \$0.23 |
| 55 to 59 | \$0.43 |
| 60 to 64 | \$0.66 |
| 65 to 69 | \$1.27 |
| Over 70 | \$2.06 |

Benefits - Insurance – Long-term Care Insurance

Long-term Care Insurance is the fastest growing insurance product on the market. It provides for custodial care due to extended inability to perform activities of daily living. Settings for care can be nursing homes or assisted living facilities, adult day care centers, or even at your home through home health care providers.

Many clergy have asked if this would ever be made available on a blanket basis. The Church Pension Group listened, and they began offering a long-term care policy in an open-enrollment period for the fourth quarter of 2003. Since the end of the open enrollment period, medical underwriting became necessary for issuance of policies. Another open enrollment period took place in the last quarter of 2006. There was an open enrollment period October 9 through November 17, 2009 and multiple mailings were made to all known churches and church employees. It is unknown when another open enrollment period might take place, but if this is a product you are considering, you should begin by gathering information on types of coverage you or your family may need to put in place.

This product is available on a voluntary basis through the Church Pension Group and is paid for by the individual. The carrier is The Prudential Insurance Company of America, one of the strongest carriers for this type of product. For an enrollment kit, please call Prudential directly at **1-800-732-0416**, and explain that the request involves an Episcopal Church participant.

Benefits – Insurance - Medicare

A very generous Medicare supplement is available through the Church Pension Fund.

Medicare has become increasingly complex but is primarily comprised of Part A and Part B, which cover benefits for hospital/facility care and physicians, respectively. These portions are handled through the Social Security Administration, and if a clergy person is considering retirement, it is wise to contact a local SSA office for more details and a personal visit.

To cover shortfalls in covered expenses, Medicare supplements were developed (Part A Supplement and Part B Supplement), and since 2004, the Church Pension Fund has offered three supplement benefit packages. These are available at varying costs based on a clergy persons credited service.

With the 2006 creation of **Medicare Part D**, which provides access to pharmacy benefits, it is now more important than ever to be familiar with the opportunities for medical coverage during retirement years.

The Comprehensive Plan supplement is provided at no cost for clergy with 20 or more years of credited service and is subsidized by the Church Pension Group for clergy with over 10 years of credited service. The Plus and Premium Plans provide lower out of pocket costs, but each adds an additional premium cost per month per covered person. Additional information can be found at the following link to the Church Pension Group web page: <http://www.cpg.org/productsservices/retirees.cfm>

For the January 1, 2010 through December 31, 2010 period, sample monthly rates per covered person for supplement plans with prescription coverage included are:

| Credited Years of Service | Comprehensive Plan | Plus Plan | Premium Plan |
|---------------------------|--------------------|--------------|----------------|
| 20+ | \$0 | \$75 | \$110 |
| 10 to 19 | \$2 to \$20 | \$77 to \$95 | \$112 to \$130 |
| 5 to 9 | \$265 | \$340 | \$375 |

Premiums drop if prescription coverage is excluded, so interested parties should contact Church Pension Group staff for the latest information on premium structure. The election to exclude pharmacy benefits needs to be an informed decision, so please contact your local Social Security office and the Church Pension Group for appropriate help.

It is expected that 2011 rates for the Medicare Supplements will be available by late November 2010.

Benefits – 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. However unlikely this event has been in the history of the Diocese of Virginia, the clause should provide the surviving spouse, or especially dependent children, a minimum of two months 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. While this pro-rata parsonage allowance is a tax issue for the family, the total compensation of the deceased cleric should still be paid. Churches may certainly be more generous in their support of the cleric’s family.

Benefits – Vestry Considerations – Continuing Education for Clergy

It is recommended that all clergy contracts or Letters of Agreement include a “continuing education” amount that would cover the materials, expenses or participation in appropriate ongoing professional training for the cleric. Much like other professionals, clergy are 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.

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. Again, these funds should be prospectively budgeted for in the operational budget of the church.

Benefits – Vestry Considerations - 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.

The Church Pension Fund recently waived the waiting period for pregnancies for filing a Short-term Disability claim. This should be kept in mind by both the clergy and the employing church entity.

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

Benefits – Vestry Considerations - 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 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.

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.

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.

FYI

- ✠ Please bookmark www.cpg.org on your computer. This is the web site of the Church Pension Group, and you will find many useful items in the administration of your ministry, such as the *Change in Compensation* form. Please use this form to update your clergy member's compensation as soon as it is adopted.
- ✠ 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). Believe it or not, they are both surprisingly good!
- ✠ Please take a moment to ask your clergy (and staff) if they have prepared a **will**. If they have not, it is a great service 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.
- ✠ Church Pension Fund meetings, such as "Planning for Tomorrow" are hosted by the diocese every few years. Clergy of the diocese are also allowed to attend "PFT" meetings hosted by other dioceses if one is convenient to your schedule. Please avail yourselves of these excellent programs as best possible and allow your lay employees to attend those conferences designed for their financial planning.
- ✠ The diocesan web site also has a section "Office of the Treasurer" which retains helpful documents for your use. You may find this information at www.thediocese.net and look under the **Financial Resources** tab on the left hand side of the web page, and then click on **Office of the Treasurer**.
- ✠ The 2009 Treasurer's and Business Manager's Conference was held at Shrine Mont on October 14-15, 2009. The 2010 dates will be announced in mid-2010. For more information, please contact Mr. Michael Kerr or Ms. Joy Buzzard. Both can be reached at the diocesan offices main number of 1-800-346-2373.