

# **Clergy Compensation Guidelines and Recommendations The Episcopal Diocese of Indianapolis Calendar Year 2019**

*Prepared by the Personnel Policy and Compensation Committee*

*(This policy refers to the Priests in this diocese. Deacons are eligible for some continuing education #42 and collegiality #45 & #46)*

## **Preliminary Considerations**

1. “Compensation” is, in casual conversation, a term usually describing the total remuneration given to a clergy person for work done in the church. For the purposes of taxes and budgeting however, a distinction must be made between three components of compensation:

- a) *Direct Compensation* (salary, housing and utilities)
- b) *Benefits* (insurance, pension, etc.)
- c) *Professional Expenses* (e.g. travel, education, entertainment)

The parish should consider each of these components of compensation carefully, for their clergy.

2. Establishing just compensation for clergy employees can be a source of tension within a congregation because clergy are both employees and spiritual leaders. The Diocese of Indianapolis requires that a formal Letter of Agreement be a part of the call of each clergy person employed in the diocese. This instrument helps clearly to define expectations both of clergy and the congregation, and can prevent misunderstanding and conflict. All Letters of Agreement must be consistent with the diocesan format and approved by the diocese before finalized and will be kept on file in the diocesan office. Contact the Canon to the Ordinary for Congregational Development & Leadership for the format.

3. Clergy are to be paid an amount that recognizes their professional training and experience. By and large congregations depend on voluntary gifts for their income. What is a just level of clergy compensation, and how that is sourced, will require care, prayer, and discernment of mission and ministry need on the part of all persons involved.

4. Congregations must understand that dual career families are becoming more the rule than the exception. Consequently it is important to recognize that schedule flexibility and alternative dependent care arrangements may be required when considering a

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clergy's schedule. When calling clergy, congregations should provide job search assistance for the spouse or partner.

5. When negotiating/setting clergy compensation flexibility and creativity may be called for, and the financial stewardship of individual members may need to be addressed to avoid undue gaps between clergy compensation and the standard of living in the surrounding community.

6. With the understanding that a healthy Christian relationship does not relegate compensation of clergy – or lay employees – to whatever is left over after other expenses have been met, the Personnel Policy and Compensation Committee proposes the following minimum (as opposed to maximum) levels of compensation.

### **Cash Salary or Stipend**

7. Cash Salary or Stipend is defined as the actual cash value for services rendered. This amount is fully reportable for the purposes of CPG premiums, Income Tax, FICA and SECA. Note that the salary/stipend figures below are **minimums**. A congregation should not fall below this minimum for a full-time clergy person.

8. **This Committee recommends the 2019 Minimum Compensation Level** be established at 61,530, a 2.5% increase over the 2018 level:

	<u>2019 @ 2.5%</u>
Cash Salary	\$42,611
Package (salary + housing and utilities)	\$57,157
7.65% SECA Allowance	<u>\$ 4,373</u>
<b>Total Minimum Package</b>	<b>\$61,530</b>
<i>(Salary + Housing and utilities + SECA)</i>	

9. **This Committee recommends a 2.5% Cost of Living Adjustment for all continuing clergy employees and for all continuing lay employees.** In reality a cost of living increase aims merely to keep a person economically whole; it does not reflect merit or seniority increases, or salary adjustments for increased responsibility or duties. Given this, and in consideration of other factors such as the overall economy, performance, geographic equity, etc., the Committee strongly encourages congregations to consider salary increases above the cost of living in the range of (.5%-2.5% over 2017) levels for ordained or lay employees.

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10. As these recommendations are minimums any congregation may adjust upward. In compensating clergy congregations should consider years of service as an Episcopal priest or in a prior professional position. This committee recommends adding \$500/year to the minimum salary amount per year of service/experience up to 20 years. Each congregation is encouraged to evaluate cost of living in its own community and make upward adjustments as necessary. Typically cost of living is higher in urban or suburban settings, but not always. A good resource is a cost of living calculator found at <http://money.cnn.com/calculator/pf/cost-of-living/> It is only just to expect congregations to compensate their clergy so that they are able to live in a manner and at a level equivalent to the majority of their parishioners.

#### Statistical summary of Diocese of Indianapolis Clergy Compensation

	2014	2015	2016	2017	2018
FT Clergy (excluding Bishop, canons, and clergy in 3 endowed parishes)	27	28	28	27	27
Avg. Years of Service	12.73	13.00	14.73	13.61	16.31
Median Compensation Package	60,874	61,463	65,145	65,676	68,680
Average Compensation Package	66,535	67,468	70,065	67,333	73,167
All FT Clergy	38	40	40	39	37
Avg. Years of Service	14.45	14.19	14.60	12.65	15.73
Median Compensation Package	71,597	71,014	72,492	72,126	73,223
Average Compensation Package	77,899	77,186	79,751	81,642	82,899

#### Comparison of full-time clergy by gender

	2016	2017	2018
Female clergy	16	19	16
Male clergy	24	20	21
Average female comp. package	88,925	77,913	80,219
Average male comp. package	121,152	85,184	84,941
Median female comp. package	89,113	66,275	67,408
Median male comp. package	101,614	73,223	75,355

11. Congregations and clergy serving in less than full-time positions must be very clear about compensation and non-discretionary work time obligations. Compensation should compare with hours “on the job,” so that no clergy is paid for part-time work but is expected by others, or is willing to work full time. Such expectations are unethical and such work patterns are unhealthy. For clergy who serve part time in a parish setting secular employment may be necessary to meet basic living expenses. Affected clergy

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and congregations are urged to work closely together to avoid any misunderstandings about clergy availability.

12. Congregations or clergy with questions about any of these guidelines are encouraged to contact any member of the Committee.

## **Social Security (SECA)**

13. Clergy are required to contribute toward Social Security at the current self-employment rate, which is adjusted periodically by the federal government. **Congregations are required to fund the difference between the rate of employee FICA and the rate of self-employment SECA as a component of cash compensation to the clergyperson.** This has the effect of enabling clergy to contribute towards social security at the same rate as salaried employees. This SECA allowance becomes additional taxable income on the clergyperson's W-2 form, and is reportable to the Pension Group as a part of total cash compensation, along with cash, housing and utilities allowance, to ensure accurate billing for pension premiums. To arrive at a SECA number many clergy and congregations use a multiplier of 7.65% against the total of salary, housing and utilities.

## **Housing**

14. Federal tax law allows for clergy to be granted, by Vestry action duly taken, a Housing Allowance for the provision, maintenance and furnishing of a home if the church does not provide one. This amount is excluded from income tax liability and may represent a major tax advantage to clergy, but it is subject to SECA liability. Clergy who live in church-owned housing may also take advantage of portions of this provision, though of course they would not be paying the cost of providing the home or its utility or maintenance expense. In no case may a larger amount be withheld than is actually spent for the purposes allowed, and it is the clergy person's responsibility to maintain accurate records for tax purposes.

15. Generally clergy are able to build equity by purchasing their own home. They gain insight and experience into the world their parishioners live in by living in and being responsible for the maintenance and repair of their own home. There can often be a wellness component of living in your own home and having a stronger sense of rootedness. If a congregation does provide a home but would like to explore the transition to providing a cash addition to salary so that a clergy person might purchase their own home, members of the Personnel Policy and Compensation Committee may

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be able to offer some assistance.

16. The amount of a clergy housing allowance must be approved in advance of its implementation by the governing body, and a motion to that effect must appear in the minutes before the advantage can be taken. Indeed, the motion must be in effect before the first paycheck reflecting the policy as written. If the amount changes a new motion must be passed before the change can take effect. Normally motions are passed in December or in January prior to the first payroll each year, as these actions cannot be made retroactive.

17. The Housing component of compensation can take several forms:

- a) A cash allowance for housing. This cannot be greater than the fair rental value of the dwelling including furnishing and utilities. With this amount clergy rent or purchase their own dwelling.
- b) Church-provided housing. The congregation pays all maintenance and remodeling expenses necessary to keep the property in a reasonable condition. Congregations should expect to maintain clergy housing in a manner equivalent to church property, and as well as they would keep their own homes. Clergy and congregations should be quite clear about who is responsible for identifying and executing repairs, improvements and redecoration projects in order to avoid conflict and to maintain a positive degree of well being for both property owner and clergy (and clergy family) resident.

18. A form for use in establishing a Housing Allowance is available on the diocesan web site at : <http://indydio.org/parish-clergy-resources/directories-forms-lists/>

19. As with an allowance to provide a dwelling, clergy can receive a Utilities Allowance that is also not subject to income tax liability, but is included in SECA liability. This allowance must also be a matter of record, with a resolution establishing a Utilities Allowance in the minutes before the exclusion is claimed. Utilities are understood to include electricity, heating fuel, water, telephone, etc. The exclusion claimed may not exceed actual expenses. This allowance can be paid directly by the congregation (in which case the clergy person must combine this amount with any housing allowance and report it on the W-2), reimbursed to the clergy person by the parish, or included in the total compensation package. **The least complicated method is to include utilities with the Housing Allowance in the compensation Package.**

## **Health Insurance and Major Medical Coverage**

20. Refer to the Program of Supplemental Benefits. Specific questions concerning

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coverage may be addressed to the Canon for Administration, at the diocesan office <[gebuhr@indydio.org](mailto:gebuhr@indydio.org)>, phone 800-669-5786. Note: By Canon Law all Lay Employees working 1500 hours per year must be offered parity in medical benefits with the clergy. A few years ago we began premium co-share with the employees. In 2019 that amount is set at 21% of the full premium. Please handle as a payroll deduction (This can be a pre tax deduction under Section 106 of the Tax Code) as **it is expected that the clergy and laity pay this percentage and not the parish.** Clergy and diocesan staff participating in the high deductible plan will have a diocesan contribution valued at 70% of the plan deductible deposited to their health savings account. It will be paid at the start of each quarter. The value of this benefit paid by the diocese will be sent to the treasurer and clergy at each church for adding on the clergy W-2.

## Ministry Review

21. An annual ministry review is **required** for each clergy and lay employee in the diocese, including diocesan staff. This review is understood to be separate from salary considerations. We expect the services of the Canon to the Ordinary for Congregational Development & Leadership to be involved. This will ensure consistency across the Diocese and can provide process guidance and suggest development opportunities.

## Pension

22. The pension provided for clergy by the Church Pension Group is a wonderful and increasingly rare and valuable benefit. Participation in the Pension Fund is not elective, and contributions are paid by the congregation. The current contribution is set at **18%** of the total cash stipend including housing and utilities and SECA reimbursement. The Diocesan Administrator's office can assist with questions concerning the pension formulas. **Note: All Lay Employees working 1000 hours per year must, by canon law, be enrolled in a CPG Defined Contribution or Defined Benefit Plan. (The minimum contribution is 9% in the DB Plan and 5% with a match of 4% in the DC Plan. In addressing equity issues between clergy and laity many locations are adding a higher match to their DC plans or offering matching funds to a 403(b) if enrolled in the DB Plan.)**

23. Clergy as the primary beneficiaries must carefully review the annual certificates when they are mailed from the Church Pension Group to ensure accuracy of reported income amounts and years of credited service. Please always verify that the change in compensation form signed by the priest and the treasurer is filed each year. New annual compensation changes may now be filed on line through the Employee Roster for your church at [www.cpg.org](http://www.cpg.org). Parish treasurers and congregations are encouraged to contact

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the Church Pension Group: [www.cpg.org](http://www.cpg.org) phone 800-223-6602, to review the range of pension benefits in order to see what their contributions provide.

**24. Congregational treasurers (or the person assigned administrator rights for the maintenance of the Employee Roster at [www.cpg.org](http://www.cpg.org)) are required to notify the Pension Fund office of all compensation changes**, so that the full contribution can be assessed and the full benefit to the employee ensured. If preferred the change of compensation form may be found at <https://www.cpg.org/active-clergy/retirement/pensions/overview/> on the right hand side. If correct compensation is not filed there is only a **two year** window to make corrections.

25. As clergy prepare for retirement careful planning is required, and contact with both the diocesan office and the CPG should be initiated well in advance. Neither the Diocese of Indianapolis nor any individual congregation in the diocese is able to offset the consequences of poor or incomplete planning on the part of clergy who retire prematurely or without having carefully evaluated their options at the time of retirement.

## **Auto Expense and Cell Phones**

26. The diocese recommends business mileage reimbursed at the current IRS approved rate. In 2018 this rate became 54.5 cents/mile. This rate is subject to change, even mid-year, so please check with the IRS or your tax advisor or the diocesan web site if you have a question as to the rate (Find under reimbursement policy and forms). It is an expectation that churches covering business mileage do so on an accountable reimbursement basis rather than by using an auto allowance. Reimbursement does not require church reporting unless the amount reimbursed is greater than the IRS rate, whereas an auto allowance must be reported on the clergy person's W-2. New rates are issued in December for 2019 at <http://www.irs.gov/Tax-Professionals/Standard-Mileage-Rates/>

27. In every case, federal law requires maintenance of complete mileage logs for business travel including date, miles and business purpose. There may be cases when leasing a vehicle is an appropriate option, but note that with a lease arrangement there are taxation issues which must be understood and complied with. Leased vehicle use that is not business related must be reported as personal income for purposes of determining tax liability.

28. Cell phones paid for by the church and given to clergy for their business use are treated as tax free fringe benefits. If staff use personal cell phones for work you may

wish to consider a monthly reimbursement of \$25-\$75 upon receipt of their phone bill.

## **Other Reimbursable Expenses**

29. There may be other job-related obligations that a congregation is strongly urged to budget a minimum of \$250 for reimbursement to the clergy person. Items could include hospitality expenses, extraordinary childcare/babysitting expenses, professional journals and/or books, and so forth. While not perhaps constituting a large dollar amount, planning and budgeting for such expenses will minimize unexpected and misunderstood requests for reimbursement of such expenses. Expenses such as those listed are not appropriately covered under “Discretionary Funds” which the canons specify are for “charitable and pious purposes”. It is best at the time the Letter of Agreement is negotiated to include these professional realities so as to avoid misunderstanding later on. **Many of these items will have tax consequences and should be considered carefully with that consequence in mind.**

30. Clergy and congregations should be aware that any reimbursement might be taxable income if a full “accountable reimbursement” policy is not followed by the church. The diocesan policy and form for reimbursement, which could be adapted for local use, is found at <http://indydio.org/parish-clergy-resources/directories-forms-lists/>

31. Note that a portion of or all moving expenses may be taxable to the employee if paid by the church, and that all books, equipment and other property purchased with church funds remain the property of the church upon the employee’s departure or, again, there may be a tax liability to the employee. This is IRS policy.

## **Continuing Education**

32. General Convention passed a resolution regarding the number of hours of continuing education that all clergy, should at a minimum, participate in annually. Professional development of the clergy is ignored at personal and congregational peril. The diocese makes certain funds available for clergy continuing education, and offers several local opportunities per year for clergy continuing education at no or minimal cost. Congregations are expected to support a clergy person’s professional development for purposes of mutual well-being and for the enrichment of their common life. Such investment of money and time will be of benefit to all.

33. Clergy continuing education is important both for personal and professional growth, which is then realized in congregational growth. Congregations are responsible for including a minimum of \$500 continuing education funds as a budget line item for



clergy. The diocese makes clergy study grants available (\$400/year for a 1-6 day event and \$700 every other year for an event of more than one week's duration). Any questions should be directed to the Canon to the Ordinary for Congregational Development & Leadership. Further information and an application form for these grants may be found at:

<http://indydio.org/parish-clergy-resources/directories-forms-lists/>

34. A designated amount of time (generally up to two weeks) for continuing education should be provided. Consideration must also be given to supply clergy expense during continuing education time, since it is not always possible or desirable for a clergyperson to return from a weeklong event with a sermon in his or her pocket!

35. Congregations are encouraged to plan time and accrue budget funds for clergy sabbaticals. While there is some diocesan money available this is dependent upon congregations sharing the cost. Clergy are required to apply first for the Lilly Sabbatical Funds. When requesting these funds they need to include requested funds to cover the taxable portion of the grant which may be the entire amount. Clergy who do not qualify for a Lilly grant may apply for diocesan funds. <http://indydio.org/parish-resources/directories-forms-lists/>

36. Again, care must be taken in reporting income assistance for continuing education, sabbaticals, pilgrimages, etc. The IRS considers everything as income to an employee except for legitimate business expenses. Those are defined as being for the operation and benefit of the church, and would be enrollment in a full course of study or a conference that is directly related to the work done in the role as pastor or leader. Many clergy have received Lilly Study Grants, with the funds running through the parish books. Most if not all of these funds are taxable. Be sure and request taxes in the budget submitted for a sabbatical. Clergy are advised to seek competent counsel to determine if these are legitimate business expenses or not. Clergy are also advised that the IRS handles foreign travel differently than travel within the US.

## **Other Financial Assistance**

37. Congregations, in consideration of the needs of some clergy family or as an additional benefit to their clergy person, will occasionally offer partial or full tuition assistance to clergy dependents. This may be for primary, secondary, or college education. (This has both tax and pension consequences.)

38. The Bishop does not approve of parish loans to clergy. For any existing loans as with other such benefits, be advised that this is considered taxable income by the IRS, and is

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reportable as such on the clergy person's W-2 issued by the church. In the case of an outright grant, the entire amount is reportable; in the case of a low-interest loan, the difference between the actual amount charged and the prevailing rate is reportable. If a loan is forgiven the amount loaned becomes taxable when the forgiveness occurs.

39. The Diocese of Indianapolis has a Ministerial Excellence Fund, funded by the Lilly Endowment's National Initiative to Address the Economic Challenges Facing Pastoral Leaders. Clergy who are experiencing financial difficulties, including emergencies, are encouraged to contact the Ministerial Excellence Fund steering committee for guidance and support.

### **Average Work Week and Time Away from Parish Obligations**

40. Clergy and congregations are to clearly define the periods of leave to which clergy are entitled. These should include at least weekly time off, annual continuing education time, vacation time, sick leave, and sabbatical-study leave. Few vocations are on call in the way that clergy are, so "down" time and respect for it is very important.

41. Diocesan wellness and spiritual direction guidelines stipulate that clergy are to receive 24 consecutive hours off per week for purposes of Sabbath and refreshment. Discernment is sometimes required to determine which parish or diocesan activity is "discretionary" (where participation is a choice) and which is "obligatory" (where participation is required). Clergy have many official obligations placed upon them both by the parish and by the diocese, which collectively require significant amounts of time including evenings and Saturdays. Vestries and congregations should bear in mind that priests, by their ordination vows, have a place in the "councils of the church," taking a part in service on the diocesan level. These obligatory activities can potentially consume the time and energy available for discretionary activities such as participation in community life and collegial gatherings, to say nothing of personal and family activities which enhance the overall ministry of clergy as whole persons in their own right.

42. Clergy are expected to practice a weekly Sabbath day (24 full hours), and this time is to be respected by the congregation. This is not a day off, but time to feed their souls and spirits in a way that satisfies and replenishes them. Clergy should be encouraged to take regular time for spiritual retreat away from the parish at least annually. Clergy spouses/partners might also be considered when considering retreat reimbursement, although such money should be considered as income and reported as a taxable benefit.

43. Full-time clergy should keep their average "official" workweek to 40 hours. Part-time clergy should make adjustments proportional to the number of hours they have

agreed to work. Although this limit may be exceeded from time to time given the nature of parish ministry, clergy and congregations should be clear that such times are an exception rather than the rule. Exceeding 40 hours per week, especially on a routine basis, is dangerous physically, emotionally and spiritually.

44. Overworked clergy burn out and do no one any good, and an exhausted priest is a poor witness to their vows. Burned out clergy are more likely to incur major health care conditions as well as expense, or to make unwise behavioral decisions. Congregations share in the responsibility to see, and indeed must insist, that clergy have time to engage in discretionary activities that feed themselves, their spirits and their households in a way which can be an example to the entire community.

45. Clergy are due four (4) weeks of paid vacation time per year, including four (4) Sundays. This is meant to be time away from all congregational duties. Congregations may wish to offer additional time off, especially in cases where clergy generally have only one day a week free of parish obligations.

## **Collegiality**

46. Clergy collegial relationships within the diocese are encouraged and should be developed. In each deanery the clergy are encourage to gather regularly, usually once a month. Clergy are expected to gather at other times with the Bishop for study days, clergy conferences, clergy/spouse or partner gatherings, diocesan convention, and other meetings involving clergy within the diocese. These are expected in order to develop connections and relationships and for the nurturing of wellness among the clergy. Such healthy relationships can strengthen a sense of ministry and of God's call to the community of the ordained. Fresh Start is a required program for clergy beginning new ministries.

47. Support groups assist the clergy in developing their own humanity, and can be with other clergy, with persons outside of the congregation, within a therapy model, with the wardens of a congregation, or even with an established clergy wellness group within the congregation.

## **Supply Clergy Compensation**

48. **This Committee recommends a minimum compensation rate for supply clergy in 2019 as follows:**

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For a single service	\$135 plus travel at the current IRS rate.
For two services	\$160 plus travel at the current IRS rate.
For three services you may negotiate.	

If you have clergy from another denomination with whom we are in full communion available for supply they should be reimbursed according to the diocesan guidelines.