

Report on Clergy Compensation
To 2009 Diocesan Convention

Section 1 – Resolutions

RESOLUTION I: Minimum Cash Salary for Clergy - Adopted

RESOLVED, that the 135th Convention of the Diocese of Newark adopt the following minimum salary rates for full-time clergy serving parishes or missions in the Diocese, effective January 1, 2010:

| Category | 2009 | 2010 | % change |
|------------------------------------|-------------|-------------|-----------------|
| Transitional Deacon | \$ 30,300 | \$ 31,250 | 3.14% |
| Assisting Priest | \$ 32,250 | \$ 33,250 | 3.10% |
| Rector, Vicar, or Priest-in-Charge | \$ 40,400 | \$ 41,650 | 3.09% |

Supporting Information

The Diocese of Newark has adopted a system of salary administration for clergy that includes minimum salary levels for all full-time clergy serving parishes or missions in the Diocese. The Diocese of Newark recommends an annual mutual ministry review to review goals and performance for clergy, wardens and vestries or executive committees. Each year, the minimum salaries are reviewed and recommendations are made to Convention for appropriate changes. A history of the last ten years follows:

| Effective Year | Transitional Deacon | Assisting Priest | Rector, Vicar, or Priest-in-Charge |
|-----------------------|----------------------------|-------------------------|---|
| 2000 | \$ 22,550 | \$ 24,040 | \$ 30,040 |
| 2001 | \$ 23,000 | \$ 24,550 | \$ 30,650 |
| 2002 | \$ 23,700 | \$ 25,300 | \$ 31,600 |
| 2003 | \$ 24,650 | \$ 26,300 | \$ 32,850 |
| 2004 | \$ 25,400 | \$ 27,100 | \$ 33,850 |
| 2005 | \$ 26,200 | \$ 27,950 | \$ 34,900 |
| 2006 | \$ 27,000 | \$ 28,800 | \$ 36,000 |
| 2007 | \$ 28,000 | \$ 29,800 | \$ 37,300 |
| 2008 | \$ 29,400 | \$ 31,300 | \$ 39,200 |
| 2009 | \$ 30,300 | \$ 32,250 | \$ 40,400 |
| 2010* | \$ 31,250 | \$ 33,250 | \$ 41,650 |

* proposed

RESOLUTION II: Recommended Merit Increase Scale – Adopted as amended

RESOLVED, That the 135th Convention of the Diocese of Newark recommend the following scale, effective January 1, 2010, for annual merit increases in salaries paid to clergy in the Diocese:

| Merit Increase Guidelines | |
|----------------------------------|-----------------------|
| Performance Rating | Recommendation |
| Outstanding | 4 - 7% |
| Very Good | 2 - 5% |
| Satisfactory | up to 3% |
| Not Satisfactory | no increase |

Supporting Information

The Diocese of Newark recommends an annual mutual ministry review of goals and performance for clergy, wardens and vestries or executive committees. Clergy salary should be increased on merit based on this review in accordance with the merit increase scale and other market factors such as scope of position, length of service, and current compensation relative to the average total compensation within this diocese and surrounding dioceses. The Church Pension Fund publishes an annual report with compensation information by church size in each diocese. It can be accessed through their website at www.cpg.org/research. Compensation comparisons for dioceses surrounding Newark can be found in the appendix to this document.

The performance rating of Not Satisfactory was deleted.

RESOLUTION III: Minimum Supply Clergy Rate – Adopted as amended

RESOLVED, That the 135th Convention of the Diocese of Newark maintains the minimum standard for remuneration to supply clergy at a fixed rate per worship service plus the IRS approved mileage rate for travel to and from the church. ~~The current IRS mileage rate for business purposes is 58.5 cents per mile.~~ Remuneration standards shall be as follows:

| | |
|----------|---|
| Sundays | \$ 100 to \$200 plus \$50 to \$100 for each additional service |
| Weekdays | \$ 100 per service |

(The resolution was amended to allow a range for the Sunday services of \$100 to \$200 for one service, plus \$50 to \$100 for each additional service.)

And be it FURTHER RESOLVED that, for those supply clergy who so desire, this remuneration be declared eligible for the clergy housing allowance exclusion by the passage of a resolution by the vestry or executive committee so designating.

Supporting Information

These rates for compensating supply clergy should be considered minimum rates not maximum rates. This remuneration can be eligible for the clergy housing allowance exclusion. The Human Resources Committee can supply sample language for such a resolution, which must be passed by the vestry (or executive committee) prior to the **performance of payment** for services.

In any year in which the total payments to any one individual exceed \$600, a 1099 tax form must be provided at the end of the year, a copy of which is filed with the IRS. Pension assessments are due for any non-retired cleric who is paid at least \$200 per month for three consecutive months.

Section 2 – Summary of Clergy Compensation Policies

| Benefit | Convention Action | Rector, Vicar, or Priest-in-charge | Assisting Priest | Transitional Deacon |
|--------------------------|----------------------|---|------------------------------------|------------------------------------|
| Cash Stipend | Mandated – Minimum | 2009 - \$40,400 2010 - \$41,650 | 2009 - \$32,250 2010 - \$33,250 | 2009 - \$30,300 2010 - \$31,250 |
| Housing & Utilities | Mandated | Housing and utilities supplied or appropriate cash allowance provided. | | |
| Social Security Offset | Mandated | 50% of estimated Self-Employment (SECA) tax. Refer to example for calculation. | | |
| Housing Equity Allowance | Mandated | 2% mandated, with up to 10% recommended, of Total Compensation as tax-deferred set aside if cleric lives in church-owned housing. The housing equity allowance is incorporated into the Pension assessment but is not subject to Social Security tax. | | |
| Pension | Mandated | Assessment of 18% of Total Compensation (Cash, Housing and Utilities, Social Security Offset, and Housing Equity Allowance). Paid quarterly to Church Pension Fund. | | |
| Health Insurance | Mandated | Clergy choice from diocesan plans. Rates vary by plan choice and coverage level. | | |
| Dental Insurance | Mandated | Rates vary by coverage level. | | |
| Life Insurance | Pension Fund Benefit | The amount is two (2) times Total Compensation, with a minimum of \$5,000 and a maximum of \$50,000. | | |
| Disability Insurance | Pension Fund Benefit | Short and Long Term Disability Insurance is provided by the Church Pension Fund. | | |
| Vacation | Recommended | Negotiable. Amount should be agreed upon in advance. Most clergy have four (4) or more weeks of vacation. | | |
| Parental Leave | Mandated | Paid leave available to new parent; eight (8) weeks with pay if parent is primary care-giver; two (2) weeks with pay for non-primary care-giver; additional leave negotiable. | | |
| Sabbatical | Recommended | Cleric eligible for three (3) month sabbatical every five to seven years; funding to be set-aside annually in preparation. | | |
| Survivor Benefits | Recommended | Minimum of three (3) months continued compensation including health and housing benefits for spouse/partner and dependent family of a cleric who dies in active service. | | |
| Business Expenses | Mandated | \$4,000 minimum for reimbursement of allowable business expenses, including business use of personal car, administered through an accountable plan. | | |
| Continuing Education | Mandated | Minimum \$500 annually. | | |

Determining Part-Time Compensation

It is expected that full-time clergy work approximately 50 hours in an average week. Compensation calculations for part-time clergy should be based on this average. For example, a half-time position would require 25 hours of work per week. Clergy, whether part-time or full-time, are acknowledged to be "on-call" all of the time.

Part time clergy are compensated based on the applicable percentage of full time compensation and benefits. For example, a half-time position would require one half of the minimum cash stipend. Some benefits, such as health and dental insurance, would be paid in full.

Establishing a Housing Allowance

A portion of each clergy person's cash stipend may be designated by a Vestry or Executive Committee as a "housing allowance" in accordance with the Internal Revenue Code. The designation must be voted upon prior to payment and explicitly noted in the minutes of the meeting. The clergy person is solely responsible for tracking qualified housing expenditures

and declaring any excess “housing allowance” as income. The maximum amount of “housing allowance” (excludable from taxable income) is the **lowest** of the following three amounts:

- the fair market rental value of the house (fully furnished)
- the actual amount spent to provide housing (including furnishings and utilities)
- the amount designated in the vestry designation

Section 3 – Medical and Dental Insurance Rates

Medical Insurance

The Diocese offers seven different plans. The 2009 annual premium rates, payable to the Medical Trust monthly are:

| Insurer/Plan | Coverage Level | | | |
|-------------------------------|----------------|-----------|---------------------|----------|
| | Single | Two Adult | Parent/ Children | Family |
| Aetna Nat. HMO | \$7,392 | \$13,632 | \$12,264 | \$20,448 |
| Aetna Nat.Q POS | \$8,532 | \$17,064 | \$15,360 | \$25,596 |
| Cigna Nat. HMO | \$7,392 | \$13,632 | \$12,264 | \$20,448 |
| AetnaChoice POS II | \$7,716 | \$15,432 | \$13,908 | \$23,160 |
| United Healthcare Choice EPO | \$8,208 | \$16,392 | \$14,748 | \$24,600 |
| United Healthcare Choice Plus | \$8,148 | \$16,296 | \$14,676 | \$24,456 |
| Cigna High Deductible | \$5,364 | \$10,740 | \$9,672 | \$16,116 |

Dental Insurance

The 2008-2009 annual premium rates (effective until 6/30/2009) are:

| Insurer/Plan | Coverage Level | | |
|--------------|----------------|------------|--------------------|
| | Single | Two Person | Family (3 or more) |
| Delta Dental | \$751.92 | \$1,119.84 | \$1,778.28 |

Section 4 – Sample Cost Calculations

Calculation of Social Security Offset for Clergy

Clergy are considered employees for income tax purposes (compensation reported on W-2) but are taxed as self-employed persons for Social Security purposes. This is called SECA, which is named for the Self-Employment Contributions Act.

The Diocese of Newark mandates that clergy compensation be enhanced by an amount equal to 50% of the clergy person's estimated self-employment tax to compensate for this additional tax. It should be noted that this compensation enhancement is also considered taxable income.

The example below outlines the calculation of the Social Security Offset.

| Step 1 | Calculate Total Self-Employment Income | |
|-------------------------------------|--|--------------------|
| Salary | | \$50,000.00 |
| Utility Expense | | \$ 4,000.00 |
| Housing | | \$24,000.00 * |
| Social Security Estimate | | \$ 5,928.00 ** |
| Total Self-Employment Income | | \$83,928.00 |

| Step 2 | Calculate Income Adjustment | |
|--------------------------------------|-----------------------------|--------------------|
| Total Self-Employment Income * .0765 | | \$ 6,420.00 |

| Step 3 | Calculate Taxable Self-Employment Income | |
|--|--|--------------------|
| Total Self-Employment Income – Income Adjustment | | \$77,508.00 |

| Step 4 | Calculate SECA Tax | |
|--|--------------------|--------------------|
| Taxable Self-Employment Income * 0.153 (15.3%) | | \$11,859.00 |

| Step 5 | Calculate Social Security Offset | |
|----------------------|----------------------------------|--------------------|
| SECA Tax X 0.5 (50%) | | \$ 5,930.00 |

* For clergy living in rectories or vicarages, housing value for IRS purposes is the FAIR MARKET RENTAL VALUE of the housing provided

**A initial estimate is to add current salary, utilities and housing together and then multiply by .076.

Pension Assessment for Church Pension Fund

| Clergy receiving cash housing allowance | | Clergy in rectory or vicarage | |
|---|--------------------|--------------------------------|--------------------|
| Cash Salary | \$50,000.00 | Cash Salary | a) \$50,000.00 |
| Housing & Utility Allowance | \$28,000.00 | Utility Expense | b) \$4,000.00 |
| Social Security Offset | \$5,930.00 | Social Security Offset | c) \$5,930.00 |
| | | *Housing "value" (a+b+c) x 0.3 | \$17,979.00 |
| | | 5 % Housing Equity Allowance | d) \$3,895.00 |
| Total Compensation | \$83,930.00 | Total Compensation | \$81,804.00 |
| Pension Rate | 18% | Pension Rate | 18% |
| Pension Assessment | \$15,107.40 | Pension Assessment | \$14,724.72 |

*For pension purposes, the pensionable value of housing for those living in a rectory or vicarage is 30% of the total of cash salary, utilities, social security offset, and other cash compensation including Housing Equity Allowance.

Calculating the Cost of Full-Time Clergy

Below is an example of a full-time clergy compensation and benefits package for 2009:

| | Church Provides Housing Allowance | Church Provides Housing |
|--|---|----------------------------|
| Salary | \$50,000.00 | \$50,000.00 |
| Housing | \$24,000.00 | \$17,979.00 * |
| Utility Expense | \$4,000.00 | \$4,000.00 |
| Social Security Offset | \$5,930.00 | \$5,930.00 |
| Housing Equity Allowance @ 5% | N/A | \$3,895.00 |
| Total Compensation | \$83,930.00 | \$81,804.00 |
| Pension Rate | 18% | 18% |
| Pension Assessment | \$15,107.40 | \$14,724.72 |
| Continuing Education Allowance | \$500.00 | \$500.00 |
| Business Expense Reimbursement | \$4,000.00 | \$4,000.00 |
| Sub-Total | \$4,500.00 | \$4,500.00 |
| Health Insurance (family) | \$20,448.00 | \$20,448.00 |
| Dental Insurance (family) | \$1,778.00 | \$1,778.00 |
| Rectory Maintenance | N/A | \$3,000.00 |
| Offset for Housing (from above) | N/A | (\$17,979.00) ** |
| Total "cash cost" to congregation | \$125,763.40 | \$105,275.72 |
| Fair Market rental value of rectory | N/A | \$24,000.00 |
| Total "value" of compensation package | \$125,763.40 | \$129,275.72 |

*For pension purposes, the pensionable value of housing for those living in a rectory or vicarage is 30% of the total of cash salary, utilities, social security offset, and other cash compensation.

** This amount is to cancel out the housing amount that is given as part of Total Compensation for pension purposes but which is not an actual cash outlay.

Submitted by the Bishop's Advisory Committee on Human Resources and Benefits: The Rev. Lauren Ackland; Mr. Hook Bailey; Ms. Patty Bradley; Ms. Charlotte H. Chappel; Ms. Linda Curtiss, Chair; Ms. Lindsay McHugh; The Rev. John Mennell; The Rev. John Negrotto; Mr. John Niles; Dr. Matthew Price; Ms. Carol Taylor; Mr. Richard Graham; Mr. Michael Francaviglia.

For questions, please contact a member of the Clergy Compensation Subcommittee:

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Appendix: Median Total Compensation* by Church Size – All Full-Time Clergy

| Diocese | Family (0-75) | Pastoral (76-140) | Transitional (141-225) | Program/ Resource (226+) |
|----------------|--------------------------|------------------------------|-----------------------------------|-------------------------------------|
| Newark | \$59,000 | \$70,500 | \$67,300 | \$104,700 |
| New Jersey | \$57,300 | \$72,700 | \$80,200 | \$80,600 |
| New York | \$63,300 | \$71,000 | \$69,700 | \$85,800 |
| Long Island | \$63,700 | \$74,900 | \$75,800 | \$90,500 |

source – The 2007 Church Compensation Report, The Church Pension Group, September 2008

* Total Compensation is the assessable compensation reported to the Pension Fund and includes, but is not limited to cash salary, utilities, payments made to Social Security, and housing, either in the form of a housing allowance or, if a rectory is provided, as 30% of salary. Compensation also includes such items as contributions to individual retirement accounts, cash gifts to clergy and the payment of school fees for clergy children. Compensation does not include the pension payments made to the Pension Fund or any other standard employee benefit.