

## Report to 2018 Diocesan Convention on Clergy and Lay Employee Compensation

### **RESOLUTION I: Minimum Cash Salary for Clergy**

RESOLVED, that the 144<sup>rd</sup> Convention of the Diocese of Newark adopts the following minimum salary standards for full-time clergy serving parishes or missions in the Diocese, effective January 1, 2019:

Category	2018	2019	% change
Transitional Deacon*	\$38,100	\$38,600	1.31%
Assisting Priest	\$40,600	\$41,200	1.48%
Rector, Vicar, or Priest-in-Charge	\$50,700	\$51,400	1.38%

\* Compensation minimums for transitional deacons are intended only for those who have completed their formation and training process. It does not apply to deacons in field-education placements from a seminary.

### **Supporting Information**

The Diocese of Newark has adopted a system of salary administration for clergy that includes minimum salary standards for all full-time clergy serving parishes or missions in the Diocese. Minimum salary standards are reviewed annually and recommendations are made to Convention. A history of the last ten years follows:

Effective Year	Transitional Deacon	Assisting Priest	Rector, Vicar, or Priest-in-Charge
2009	\$30,300	\$32,250	\$40,400
2010	\$31,250	\$33,250	\$41,650
2011	\$31,250	\$33,250	\$41,650
2012	\$31,900	\$33,950	\$42,500
2013	\$32,900	\$35,000	\$43,800
2014	\$34,200	\$36,400	\$45,500
2015	\$35,600	\$37,900	\$47,350
2016	\$37,000	\$39,400	\$49,240
2017	\$37,550	\$40,000	\$50,000
2018	\$38,100	\$40,600	\$50,700
<b>2019 (proposed)</b>	<b>\$38,600</b>	<b>\$41,200</b>	<b>\$51,400</b>

The Church Pension Fund publishes an annual report on clergy compensation which can be found at <https://www.cpg.org/global/research/reports-statistics>. Recent comparisons between the Diocese of Newark and the surrounding dioceses are found later in this document.

The Diocese of Newark requires a mutual ministry review and recommends an annual performance review for clergy. Information concerning mutual ministry reviews and the performance review process can be found on the diocesan website and trained congregational consultants are available to facilitate the mutual ministry review process.

Merit increases should be awarded based on these reviews and other market factors such as scope of position, length of service, and compensation relative to the median compensation within this diocese and surrounding dioceses.

## 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 available for pastoral emergencies at all times.

Clergy working a minimum of 25 hours weekly are eligible for health and dental coverage consistent with full-time clergy.

## Establishing a Housing Allowance

A portion of each cleric'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 cleric 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

## 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 cleric'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		**
<b>Total Self-Employment Income</b>	<b>\$83,928.00</b>		
Step 2	Calculate Income Adjustment		
Total Self-Employment Income * .0765	<b>\$6,420.00</b>		
Step 3	Calculate Taxable Self-Employment Income		
Total Self-Employment Income – Income Adjustment	<b>\$77,508.00</b>		
Step 4	Calculate SECA Tax		
Taxable Self-Employment Income * 0.153 (15.3%)	<b>\$11,859.00</b>		
Step 5	Calculate Social Security Offset		
SECA Tax X 0.5 (50%)	<b>\$5,930.00</b>		

\* For clergy living in rectories or vicarages, housing value for IRS purposes is the FAIR MARKET RENTAL VALUE of the housing provided; otherwise, this is the cash housing supplement paid. To calculate the fair-market rental value of a property, you are well advised to contact a professional in real estate.

\*\* An initial estimate is to add current salary, utilities, and housing together and then multiply by .0765.

### 2018 Change to Definition of Total Assessable Compensation

Effective January 1, 2018, the Church Pension Fund will redefine Total Assessable Compensation (TAC) which is the basis for the 18% pension assessment. This redefinition is being done to address inconsistencies in how employer-provided housing had been incorporated into the calculation of Total Assessable Compensation.

Going forward, TAC\* will be defined as the annual sum of the following:

1. Base salary (excluding housing) and scheduled taxable cash payments;
2. Cash housing allowance and/or utilities;
3. Employer contributions to a qualified or non-qualified plan;
4. One-time payments; and
5. Value of employer-provided housing, which equals 30% of the sum of #1 through #4 above (or, if higher, 30% of the Hypothetical Minimum Compensation (HMC), which is expected to be \$1,500 per month (\$18,000 per year) beginning on the effective date of the revised plan).

\* Any form of severance (including pay continuation following a termination of employment) should be excluded in all cases.

In addition:

- Clergy whose only compensation is employer-provided housing will now be able to participate in the Clergy Pension Plan if they otherwise meet the eligibility requirements. Their TAC will be 30% of the HMC. Employers must pay assessments on this amount.
- Certain key changes to note are as follows:
  1. Cash housing allowance will be assessable in all situations.
  2. Severance payments will not be included in TAC.
  3. Employer-paid tuition for dependents that is not taxable income will no longer be assessable.
  4. The assessable value of housing will be the same whether clergy receive only employer-provided housing or both room and board.
  5. If clergy have multiple employers, assessments for employer-provided housing will no longer be allocated between employers but only to the employer providing housing

More information on the [Clergy Pension Plan Revisions](#) can be found on the Church Pension Group website.

## Pension Assessment for Church Pension Fund

A [spreadsheet calculator](#) is also available on the Diocese of Newark website.

### A. Base Salary & Scheduled Taxable Compensation

- a. Base Salary (previously known as cash stipend) \_\_\_\_\_ a.
- b. Social Security tax reimbursements \_\_\_\_\_ b.
- c. Employer-paid tuition for dependents (if taxable) \_\_\_\_\_ c.
- d. Other scheduled taxable income \_\_\_\_\_ d.

**Total (a + b + c + d)** A.

### B. Cash housing allowance and/or utilities

- a. Cash housing allowance \_\_\_\_\_ a.
- b. Utilities \_\_\_\_\_ b.

**Total (a + b)** B.

### C. Employer contributions to qualified or non-qualified plan

- a. 403(b) and 401(k) contributions \_\_\_\_\_ a.
- b. Non-qualified deferred compensation (may have been previously known as housing equity allowance) \_\_\_\_\_ b.

**Total (a + b)** C.

### D. One-time payments (e.g., bonus and overtime)

*Note: one-time payments are included in TAC when reported* D.

### E. Total to calculate EPH (A + B + C + D)

E.

### F. Value of EPH (even if no compensation is paid)

- a. 30% of E \_\_\_\_\_ a.
- b. \$5,400 (which is 30% of the Hypothetical Minimum Compensation of \$18,000 for 2018) \_\_\_\_\_ b.

*Note: calculation remains at 30% even if meals are provided*

**(Greater of a. or b.)** F.

### G. TAC = E + F

G.

### H. Annual Assessment = G x 18%

H.

<sup>2</sup> Any form of severance commencing on or after January 1, 2018 (including pay continuation following a termination of employment) should be excluded in all cases. Housing assessments will no longer be allocated between employers. Only the employer providing the housing will be assessed.

## HUMAN RESOURCES 144AC-R05

### Median Total Assessable Compensation by Church Size – All Clergy

Diocese	Family (0-75)	Pastoral (76-140)	Transitional (141-225)	Program/Resource (226+)
Newark	2015 - \$73,263 2016 - \$75,285	2015 - \$88,823 2016 - \$88,988	2015 - \$83,105 2016 - \$91,445	2015 - \$115,993 2016 - \$106,800
New Jersey	2015 - \$69,817 2016 - \$69,777	2015 - \$78,437 2016 - \$82,816	2015 - \$90,293 2016 - \$83,211	2015 - \$96,191 2016 - \$130,446
New York	2015 - \$76,281 2016 - \$77,160	2015 - \$84,832 2016 - \$86,792	2015 - \$93,485 2016 - \$88,044	2015 - \$111,646 2016 - \$117,599
Long Island	2015 - \$76,088 2016 - \$77,865	2015 - \$82,804 2016 - \$86,526	2015 - \$95,245 2016 - \$103,359	2015 - \$104,938 2016 - \$120,332

### Median Total Assessable Compensation by Church Size – All Senior and Solo Full-Time Rectors

Diocese	Family (0-75)	Pastoral (76-140)	Transitional (141-225)	Program/Resource (226+)
Newark	2015 - \$73,263 2016 - \$75,285	2015 - \$89,240 2016 - \$90,460	2015 - \$109,180 2016 - \$110,120	2015 - Insufficient Data* 2016 - \$128,279
New Jersey	2015 - \$69,434 2016 - \$68,412	2015 - \$78,437 2016 - \$82,816	2015 - \$90,293 2016 - \$86,838	2015 - \$134,526 2016 - Insufficient Data*
New York	2015 - \$76,400 2016 - \$77,160	2015 - \$87,429 2016 - \$91,130	2015 - \$100,716 2016 - \$108,976	2015 - \$142,365 2016 - \$220,815
Long Island	2015 - \$76,088 2016 - \$77,892	2015 - \$82,991 2016 - \$86,749	2015 - \$97,367 2016 - \$104,664	2015 - \$116,207 2016 - \$128,695

Sources: The 2016 Church Compensation Report, The Church Pension Group, August 2017  
The 2015 Church Compensation Report, The Church Pension Group, July 2016

\* fewer than five observations in this category

# HUMAN RESOURCES 144AC-R05

## Summary of Clergy Compensation Policies (2018)

Category	Details
Minimum Cash Salary	<p><b><u>Mandated by Diocesan Convention Resolution and Canon 9 as amended at 2014 Diocesan Convention (2018 minimums)</u></b></p> <ul style="list-style-type: none"> <li>• Rector, Vicar, or Priest-in-charge: \$50,700</li> <li>• Assisting Priest: \$40,600</li> <li>• Transitional Deacon: \$38,100</li> </ul>
Supply Clergy Stipend	<p><b><u>Mandated by Diocesan Convention Resolution</u></b></p> <ul style="list-style-type: none"> <li>• Sundays - \$225 plus \$100 for each additional service</li> <li>• Weekdays - \$100 per service</li> <li>• IRS-approved mileage to/from the worship site</li> <li>• Remuneration can be eligible for the clergy housing allowance exclusion if the vestry or executive committee so authorizes prior to the performance of services.</li> </ul>
Housing & Utilities	<p><b><u>Mandated by Diocesan Convention Resolution (1960 and 1970)</u></b></p> <ul style="list-style-type: none"> <li>• The 1960 and 1970 resolutions established requirements for suitable housing, local telephone service, and utilities including heat, electricity, water, and gas.</li> <li>• Under current practice, housing and utilities are supplied or a cash allowance is provided based on actual expenses incurred.</li> <li>• For clergy who own or rent their own home, the congregation provides a cash housing allowance, the amount of which should be sufficient to provide adequate housing for the clergy family within the geographic area of the church.</li> <li>• See "Establishing a Housing Allowance" further below as well as the <a href="#">Understanding Clergy Compensation document</a> on the diocesan website.</li> </ul>
Social Security Offset	<p><b><u>Mandated by Diocesan Convention Resolution</u></b></p> <ul style="list-style-type: none"> <li>• 50% of estimated Self-Employment (SECA) tax.</li> <li>• Refer to example for calculation.</li> </ul>
Housing Equity Allowance	<p><b><u>Mandated by Diocesan Convention Resolution</u></b></p> <ul style="list-style-type: none"> <li>• 2% mandated, with up to 10% recommended, of Total Compensation as tax-deferred set aside if cleric lives in church-owned housing. To be deposited into a tax deferred account.</li> <li>• Housing Equity Allowance is incorporated into the Pension assessment but is not subject to Social Security tax.</li> </ul>
Pension/ Life Insurance/ Disability Insurance	<p><b><u>Mandated by National Canon/Church Pension Fund Pension</u></b></p> <ul style="list-style-type: none"> <li>• Assessment of 18% of Total Assessable Compensation.</li> <li>• Paid monthly to Church Pension Fund.</li> <li>• Participation in the plan is mandatory if a cleric is (1) compensated, (2) regularly employed, and (3) working five or more consecutive months for the same Episcopal employer.</li> <li>• Clergy will be considered to be "regularly employed" if they meet at least one of the following criteria: (1) a letter of agreement or contract of employment; (2) being duly called by a bishop, vestry, or rector; (3) a formal title indicating a substantial ongoing relationship; (4) issuance of Form W-2; or (5) scheduled to work 20+ hours per week.</li> <li>• Participation in the plan will be optional if a cleric who is working for less than five months has a letter of agreement directing that assessments be paid for his or her services.</li> </ul> <p><b>Life Insurance</b></p> <ul style="list-style-type: none"> <li>• The amount is two (2) times Total Compensation, with a maximum of \$100,000.</li> </ul> <p><b>Disability Insurance</b></p> <ul style="list-style-type: none"> <li>• Short Term Disability Insurance is provided by the Church Pension Fund.</li> <li>• Maternity Leave benefits are provided by the Church Pension Fund. Details are available at <a href="http://download.cpg.org/pensions/publications/clergy/pdf/benefits_clergypensions.pdf">http://download.cpg.org/pensions/publications/clergy/pdf/benefits_clergypensions.pdf</a></li> </ul>

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Category	Details
Health and Dental Insurance	<p><b><u>Mandated by Diocesan Canon</u></b></p> <ul style="list-style-type: none"> <li>Clergy choice from plans offered under the Denominational Health Plan (DHP) and in accordance with the congregational policy.</li> <li>Rates vary by plan choice and coverage level.</li> </ul>
Parental Leave	<p><b><u>Mandated by Diocesan Convention Resolution</u></b></p> <ul style="list-style-type: none"> <li>Paid leave available to new parent.</li> <li>Eight (8) weeks with pay if parent is primary care-giver.</li> <li>Two (2) weeks with pay for non-primary care-giver; additional leave negotiable.</li> </ul>
Business Expenses	<p><b><u>Mandated by Diocesan Convention Resolution</u></b></p> <ul style="list-style-type: none"> <li>\$4,000 minimum for reimbursement of allowable business expenses, including business use of personal car, administered through an accountable plan.</li> </ul>
Continuing Education	<p><b><u>Mandated by Diocesan Convention Resolution</u></b></p> <ul style="list-style-type: none"> <li>Minimum \$500 annually.</li> </ul>
Vacation	<p><b><u>Recommendation</u></b></p> <ul style="list-style-type: none"> <li>Negotiable. Amount should be agreed upon in advance.</li> <li>Most clergy have four (4) or more weeks of vacation.</li> </ul>
Sabbatical	<p><b><u>Recommended by Diocesan Convention Resolution</u></b></p> <ul style="list-style-type: none"> <li>Full time clergy who have completed five years of service to a congregation are eligible to apply for sabbatical leave.</li> <li>It is recommended that the sabbatical leave be at least three months in length and that sabbatical leave be taken every five to seven years.</li> <li>Sabbaticals are intended for spiritual renewal, study, and strengthening of skills for ministry, <b>not</b> severance. Unused sabbatical time is forfeited upon retirement or termination.</li> <li>It is strongly recommended that funding for sabbatical leaves be established no later than the beginning of the third year of the cleric's tenure with the congregation.</li> <li>Clergy granted sabbatical leave are expected to complete at least one year of service to the congregation upon return from sabbatical leave. Failure to comply will require the cleric to reimburse the congregation for any costs incurred in support of the sabbatical.</li> <li>More information is available at <a href="http://dioceseofnewark.org/bishop-office/clergy-sabbatical-policy">http://dioceseofnewark.org/bishop-office/clergy-sabbatical-policy</a></li> </ul>
Survivor Benefits	<p><b><u>Recommended by Diocesan Convention Resolution</u></b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>

## HUMAN RESOURCES 144AC-R05

### Summary of Lay Employee Compensation Policies (2018)

For additional information on benefits and medical and dental plans, please visit the following websites: [www.dioceseofnewark.org/hr](http://www.dioceseofnewark.org/hr) and [www.cpg.org](http://www.cpg.org).

Category	Details
Denominational Health Plan	<p><b><u>Mandated by the 76<sup>th</sup> General Convention, 2009 (Resolution A177) and the 138<sup>th</sup> Diocesan Convention, 2012</u></b></p> <ul style="list-style-type: none"> <li>All lay employees who work 1,500 hours or more a year must be enrolled in one of the medical plans administered through the Denomination Health Plan (DHP. If the employee has coverage elsewhere, (i.e. covered by a spouse), they may opt out of the DHP program. The plans under the DHP are similar to those options previously available.</li> <li>Congregations are required to provide and pay for health insurance benefits for all eligible lay employees, consistent with the health benefits provided to the congregation's clergy.</li> <li>Congregations are required to establish a policy and process as to how to implement health care coverage based on needs identified within the congregation. The policy and process is expected to be updated on an annual basis. A report outlining the policy and process and the outcomes of the process is to be sent to the Bishop's Office annually after the conclusion of the Open Enrollment period.</li> </ul>
Lay Pension Plan	<p><b><u>Mandated by the 76<sup>th</sup> General Convention, 2009 (Resolution A138 and Canon 8 as amended) and the 138<sup>th</sup> Diocesan Convention, 2012</u></b></p> <ul style="list-style-type: none"> <li>Mandates that pension benefits be provided through the Church Pension Fund to qualified lay employees working for congregations and other entities subject to the authority of the Church, effective January 1, 2013.</li> <li>All Episcopal employers with lay employees scheduled to work at least 1,000 hours/year (20 hours/week) are required to participate in the Church Pension Fund's Lay Employee Pension System, with employer contribution of <b>5% plus an additional</b> match of voluntary employee contributions up to a total match of 4%.</li> </ul>
Group Term Life Insurance Participation	<p><b><u>Adopted by the 134<sup>th</sup> Diocesan Convention, 2008</u></b></p> <ul style="list-style-type: none"> <li>Recommends that each lay employee working at least 20 hours a week at our congregations and day care/schools participate in the Group Term Life Insurance Program administered by the Church Life Insurance Corporation by the time of the 135<sup>th</sup> Convention of this Diocese.</li> </ul>
Lay Employee Vacation	<p><b><u>Adopted by the 133<sup>rd</sup> Diocesan Convention, 2007</u></b></p> <ul style="list-style-type: none"> <li>In recognition and fairness to all the lay employees of the diocese, all parishes, missions, and day care/schools are strongly recommended to provide a minimum of two weeks of annual paid vacation with the completion of one year of service, proportionate to time worked per week starting January 1, 2008.</li> </ul>
Lay Employee Job Descriptions	<p><b><u>Mandated by the 133<sup>rd</sup> Diocesan Convention, 2007</u></b></p> <ul style="list-style-type: none"> <li>Requires that a job description be created for each lay employee of the diocese, parishes, missions, and day care/schools be written and discussed with the employee</li> </ul>
Lay Employee Annual Performance Review	<p><b><u>Adopted by the 133<sup>rd</sup> Diocesan Convention, 2007</u></b></p> <ul style="list-style-type: none"> <li>Calls for each person employed by the diocese, parishes, missions, and day care/schools to receive an annual performance review</li> </ul>
Workplace Values in the Episcopal Church	<p><b><u>Commended by the 75<sup>th</sup> General Convention, 2006, Resolution A125</u></b></p> <ul style="list-style-type: none"> <li>Seeks to promote professional employment environments that offer opportunity for development and advancement. (A copy of the <i>Workplace Values</i> was provided in the deputy convention packet.)</li> </ul>

Submitted by the Bishop's Advisory Committee on Human Resources and Benefits: The Rev. Lauren Ackland, Mr. George Ackley, Ms. Maria Force, Ms. Mary Beth King, Mr. Robert LaPene, The Rev. Thomas Laws, Ms. Allison McDaniel, Ms. Lindsay McHugh, Mr. John Niles, The Rev. Paul V. Olsson (Chair), Dr. Matthew Price, Mr. John A. King (ex officio), Ms. Leslie Thomas (Staff Liaison)