

- Exhibit I -



The  
Episcopal Diocese  
of New York

Human Resources Committee

Report to the Trustees

In response to this resolution from the 240th Convention of the Episcopal Diocese of New York:

[14] Resolved: that the Clergy Compensation Minimums undergo an in-depth review and comparison with the minimums from other dioceses and a report made to the 241st Convention with Minimum Compensation Guidelines for each of the next three years, 2018, 2019 and 2020.

Section One: Clergy Compensation Task Force

Section Two: Proposed Resolution for New  
Clergy Compensation Guidelines

Submitted: August 30, 2017

## Human Resources Committee

Wednesday, August 30, 2017

### REPORT TO THE TRUSTEES:

#### **Section One: Clergy Compensation Task Force Report**

- A task force of six (6) members of the Human Resources Committee was formed and charged with obtaining background information on analogous dioceses as the first step towards updating the Clergy Compensation Guidelines of the Diocese of New York.
- Seven (7) selected dioceses were surveyed by members of the Task Force by phone and email during March and April of this year: Massachusetts, Connecticut, Chicago, Washington (D.C.), Virginia, Pennsylvania and Los Angeles.
- An 8-question questionnaire was used as the basis for the interviews with inquiries centered on minimum clergy compensation guidelines but also asking about health insurance, equity replacement plans and continuing education.
- Results of the interview questions were summarized in the attached spreadsheet and circulated and reviewed by the Human Resources Committee at its May 24th meeting. (The Diocese of New York is included on the summary spreadsheet for comparative purposes.)

#### Highlights of the Task Force's findings include:

- Note: Although much of the individual clergy compensation package varies by how the compensation is “divided” and is handled in the parish’s letter of call to the priest, required levels of parish participation in addition to cash stipends are mandated and spelled out on each diocese’s website (e.g. SECA payments, pension contributions, housing/utilities, health insurance coverage and premiums).
- Guidelines: All of the seven dioceses surveyed have guidelines for minimum/recommended clergy compensation and all post them on their websites.
- Basis for Determining Minimum Compensation: Some dioceses base their minimum guidelines on years of ordained service; some on the size and income of the parishes; some on average diocesan-wide amounts that they update from time to time.
- Process for Updating Minimum Compensation Guidelines: Most dioceses have some sort of regularly scheduled process to determine needed changes and updates to the minimum guidelines. Los Angeles is the exception (guidelines not updated since 2009), but they plan to re-form a committee to do so soon. Two of the dioceses (Washington and Pennsylvania) have standing committees charged with this annual ongoing task. Other dioceses bring forth proposals at their annual conventions to update the minimums/standards when it is felt needed.

*Highlights of the Task Force's findings -- cont'd:*

- Health Insurance: The number and type of health insurance plans offered per diocese varies from 3 (Connecticut) to 12 (Los Angeles). All basic plan information is available via their diocesan websites with links to the Medical Trust for further details. In all cases, the parish pays at least the standard baseline plan for the priest and family, and options are available to “buy up” to “richer” plans if desired.
  - Equity Replacement Plans: Clergy can/do participate in CPG’s RSVP plan. Those in church-provided housing are especially encouraged to participate in an equity replacement plan.
  - Continuing Education: All dioceses offer, and some mandate, annual continuing education funding with a few helping to fund sabbaticals as well. (Note: The Diocese of Pennsylvania was noted for its funding resource to which priests can apply annually. This fund can also help cover the cost of supply clergy in the priest’s absence.)
- The Task Force recommends the following as the result of its work, acknowledging that some of this may already be practice but perhaps not canonically inscribed, and suggests that consideration be given to incorporating these 5 points within the appropriate place as Diocesan canon:
    1. The Human Resources Committee of the Diocese of New York should annually review and recommend updates for minimum clergy compensation with special attention to health insurance and pension changes.
    2. Clergy Compensation Guidelines (including the updating of the Minimums as needed) should become part of the annual calendar of business at Diocesan Convention and the HR committee should report to Convention on this subject regardless of whether any changes are recommended.
    3. The Office of Transition Ministry should post any new information resulting from Convention (or when mandated in-between conventions) to the diocesan website including any changes to the Minimum Guidelines.
    4. To be fair to both the priest and the congregation, parishes should consider exploring alternate methods of full compensation, such as sharing a priest/combining with a neighboring parish, in order to be able to at least cover the established minimums and to help move forward in a financially healthy manner.
    5. All priests who are in charge of a congregation should regularly participate in a ministry evaluation/review process. Other parish and associated clergy should have an annual review by the Rector.

## Human Resources Committee

Wednesday, August 30, 2017

### REPORT TO THE TRUSTEES:

#### **Section Two: Recommendations for New Clergy Compensation Guidelines:**

- Acknowledging that the wide geographic and economic diversity of The Episcopal Diocese of New York makes it impossible to come up with a formula that is reasonable for all parishes within its boundaries, The Human Resources Committee of the Diocese of New York recommends the following mandated minimum guidelines to ensure that our Diocese is an attractive and viable place where clergy want to establish, maintain and grow their ministries:

*Note: These guidelines are the minimum requirements for each congregation. There is nothing to prevent congregations from providing compensation and benefits higher than those mandated. Indeed, the Trustees' Human Resources Committee is aware that in some circumstances, the minimum requirements may not be adequate. Each congregation is urged to review the guidelines in light of their individual circumstances (without going below the mandated requirements).*

**Clerics and lay leaders of congregations who are negotiating a compensation package for a newly called priest, or making changes to an existing package, are urged to consult with the diocesan Office of Transition Ministry to ensure that the package is calculated in accordance with these guidelines and with all relevant laws and regulations.**

#### **Section A. Mandated Compensation, Benefits and Associated Expenses:**

Pursuant to the following requirements mandated by Diocesan Convention, each congregation within the Diocese of New York shall provide the following compensation with benefits to each clergy person who work 20 hours or more per week and meet the Internal Revenue Service (IRS) criteria for employees (see Treasury Reg. Sec. 31.3401(6)(b), provided no congregation shall employ any person not eligible to work in the United States. The following requirements are mandated by convention, and apply to all full time clergy and clergy working 20 hours or more

1. **Annual Stipend:** The annual stipend shall be no less than those amounts listed on the attached Schedule I. Stipend minimums should be figured proportionately for clergy working part time.  
**All clergy receiving compensation are to be issued a W-2 form for tax purposes.**
2. **Housing:** Congregations shall either (a) provide housing or (b) pay a housing allowance, which shall not be less than 50% of the cleric's annual stipend. No congregation shall be excused from providing this benefit (i.e., either (a) housing or (b) a housing allowance of not less than 50% of the cleric's annual stipend) because housing is provided to the cleric from another source. See Schedule III for computation of church-provided housing.

3. **Reimbursement of self-employment Tax Liability:** Each congregation shall reimburse the cleric's self-employment tax liability in the amount of 50%. See Schedule III for computation of self-employment tax reimbursement.
4. **Health Benefits** (Further details and information are available from the Diocesan Benefits Coordinator.) Clergy working 1,000 hours per year or more and are receiving a W-2 are provided Medical and Dental Coverage as follows:
  - Single coverage with an employee contribution of 1% of the premium for the basic plan.
  - Employee + 1 coverage with an employee contribution of 2% of the premium for the basic plan.
  - Family coverage with an employee contribution of 3% of the premium for the basic plan.

Clergy may choose to participate in a plan offered by The Medical Trust other than the basic plan. In the event the other plan's premium exceeds that of the basic plan, the clergy person will be responsible for any excess premium.

Clergy working and paid less than 20 hours per week (less than 1,000 hours per year) may participate in The Episcopal Church Medical Trust at their own expense. Employers are encouraged to assist them with the cost of purchasing health insurance either through the Episcopal Church Medical Trust or on a marketplace exchange.

5. **Parental Leave of Absence:** Congregations shall provide their clergy, both female and male, with a paid leave of absence in conformity to New York State law.
6. **Pension:** Every cleric receiving compensation must be enrolled in the Church Pension Fund and the congregation must accurately report the compensation and pay the pension assessment.
7. **Vacation:** Congregations shall give their clergy one month, including five Sundays, of paid vacation each year. Vacation time does not accrue, and must be used in the year it is earned.
8. **Travel:** The congregation shall provide the cleric with a mileage (plus tolls, etc.) reimbursement, after receiving from the cleric adequate documentation, based on the current IRS figure.

**AND**

The congregation shall provide the reasonable and necessary costs of transportation for travel for required church business, including trips to the seat of the Diocese, after receiving from the cleric adequate documentation of such costs.

9. **Continuing Education:** Annual time allotted by each congregation to its clergy for continuing education shall not be less than ten days, and expenses shall be a distinct budget line, set at a minimum of \$750. The benefit is to be used only for continuing education (and is not to be used in pursuit of any other purpose or as additional cash stipend). Time not used in one year is not to be carried over; however, money not used in a given year is to be set aside in a special account, and may be used in future years as needed (up to three years), either for continuing education or to help fund the cleric's sabbatical. Any such funds carried forward do not reduce the congregation's obligation to budget \$750 in continuing education funds in each and every year.

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10. **Moving Expenses:** All congregations shall pay a specific dollar amount for the moving expenses of newly called clergy. The exact amount must be negotiated between the congregation and the cleric, and included in the Letter of Call. The Office of Transition Ministry of the Diocese is available for advice on this issue.
  11. **Letter of Call:** Every congregation that calls a cleric must issue a Letter of Call. Templates for Letters of Call are available online and from the Office of Transition Ministry.
  12. **Disability Insurance and Compensation Continuation in the Event of Disability:**  
Congregations shall either continue full compensation for up to six months of medically certified disability or they shall indemnify themselves against this exposure by purchasing short-term disability insurance that replaces at least 70% of pension base compensation for a minimum of six months. The Income Replacement Plan offered through the Church Life Insurance Corporation, which replaces 70% of pension base compensation for up to 12 months of disability, is strongly recommended. It is further recommended that payment of the premium be handled so that any benefit collected is non-taxable.

*Congregations shall continue medical, dental and pension benefits for up to six months of medically certified disability.*

*As soon as it appears that a disability will be continuous and total, the cleric should apply to the Church Pension Fund for a disability retirement. While not obligated to continue compensation and benefits after six months of disability, congregations are urged to make a cleric's transition from active to disability retiree as smooth as possible.*

*Because disability pensions will not fully replace current income, it is strongly recommended that clergy serving congregations consider, as part of their personal financial planning, obtaining long-term disability insurance through an organization such as Church Life.*

#### **Section B. Other Items Strongly Urged by Convention:**

1. **Stipend Increases:** An annual review of the cleric's total, annual compensation is strongly urged.
2. **Equity Replacement:** When housing is provided, each congregation is strongly urged to offer a plan for equity replacement, which is to be no less than 3% of what the cash housing allowance would be. This amount must be matched by the cleric, and is invested in a 403b tax deferred annuity.  
**Life Insurance:** While the life insurance provided to all active clergy enrolled in the church pension plan meets the minimum requirement, each cleric and congregation should review the adequacy of this coverage.
3. **Surviving Dependent Housing:** Every congregation is strongly urged to provide short term housing of the dependents of a deceased cleric (e.g. 30-90 days).
4. **Sabbatical:** A sabbatical is strongly urged for all clergy since it benefits both them and the congregations they serve. (This is under further study by the Committee and Bishop).
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**SCHEDULE I. CASH STIPENDS:**

<i>Ordained to priesthood less than 3 years:</i>	<i>\$44,075 as of 1/1/2018</i>
<i>Ordained to priesthood more than 3 years but less than 10 years:</i>	<i>\$49,098 as of 1/1/2018</i>
<i>Ordained to priesthood more than 10 years:</i>	<i>\$49,610 as of 1/1/2018</i>
<i>Ordained to priesthood more than 15 year(s):</i>	<i>\$56,170 as of 1/1/2018</i>

**SCHEDULE II. TRAVEL MILEAGE REIMBURSEMENT**

The Diocese uses the guidelines set forth by the Internal Revenue Service (IRS) for reimbursement of travel mileage by Diocesan employees.

**SCHEDULE III:**

**1. Calculation Formula for Total Value of Compensation to be assessed by Church Pension Group:**

**Note:** The following is an extract from The Church Pension Fund Handbook - “*A Guide to the Way the Fund Works for You*”, published and distributed by the Church Pension Fund and available free to all congregations. 800-223-6602.

The Canons (national) require every Church engaging the services of a priest to pay an assessment based on the clergyperson’s compensation. This applies to full-time, part-time, supply or interim work that continues for at least three consecutive months and where the priest receives \$200 or more per month for other than reimbursement of travel expenses.

- **Assessment rate:** The assessment rate is 18% of annual compensation. For pension purposes, Compensation consists of cash stipend, utilities and housing, as defined below.
- **Cash Stipend:** The amount of money paid the priest, including bonuses and any part of the Social Security tax which is reimbursed, but excluding occasional fees and allowances for travel.
- **Utilities:** The allowances paid to the priest to cover the cost of utility bills (such as electricity, fuel, etc.) or an approximation of the annual amount of utility bills, if paid by the congregation.
- **Housing:** If rent-free living quarters are provided, housing is assumed to be equal to 30% of the combined total of cash stipend, plus utilities, plus Social Security, if provided.

If, however, a housing or rental allowance is provided, housing would be the greater of the actual allowance or the assumed 30% figure. If both room and board are provided, housing is assumed to be equal to 40% cash stipend, plus utilities.

If a priest is receiving Compensation from more than one Church unit and one source provides housing, each source is assessed for a share of the housing.

*Note: Retroactive changes in compensation may not be made for periods dating back more than two calendar years without the Pension Fund’s Trustees approval, and only if unusual circumstances are found to exist.*

## 2. Social Security/Self Employment Tax

The Department of the Treasury, Internal Revenue Service (IRS) publishes Publication 517 Social Security and Other Information for Members of the Clergy and Religious Workers. This publication can be obtained at no charge by calling 1-800-TAXFORM (1-800-829-3676).

The following is an excerpt from Publication 517:

“To figure ... net earnings from self employment, include in gross income:

- Salaries and fees for your qualified services,
- Offerings you receive for marriages, baptisms, funerals, masses, etc.
- The value of meals and lodging provided to you, your spouse, and your dependents for your employer’s convenience, and
- The fair rental value of a parsonage provided to you (including the cost of utilities that are furnished) and the rental allowance (including an amount for payment of utilities) paid to you.

If a church pays any amount toward your income tax or self-employment tax, other than withholding the amount from your stipend, it is income to you. You must include the amount in your gross income and self-employment income.”

*Note: for “Social Security” purposes, clergy are considered “self employed.” For “income tax” purposes, clergy are considered “stipend employees” and should receive a W-2.*

### Additional Resource:

**Church Law & Tax Report: Church & Clergy Tax Guide**  
**Richard R. Hammer, J.D., LL.M., CPA**

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