

**DIOCESE OF MARYLAND
COMPENSATION AND BENEFITS
GUIDE**

This GUIDE has been prepared for distribution to the parishes with the expectation that it will be available to all clergy, congregational leadership, and prospective candidates for clergy and lay positions in the Diocese.

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COMPENSATION GUIDE*

The Goal of This Manual

- 1) To bring clarity, consistency and conformity to cash and non-cash compensation practices for clergy and lay personnel employed by congregations within the Diocese of Maryland.**
- 2) To provide definitions and examples of suggested practices, policies, or procedures applicable to full-time, part-time, temporary and/or supply staff.**
- 3) To suggest practices applicable to the operational aspect of administering effective compensation and reimbursement programs.**

**The Committee expresses its appreciation for the good work of the Diocese of New Hampshire, whose “Clergy Compensation and Benefit Guidelines” served as a valuable reference for the drafting of this Diocese of Maryland Compensation and Benefits Guide.*

SECTION I
COMPENSATION

The following points are important for review and consideration in the setting of annual compensation for clergy and lay staff of the Diocese of Maryland.

- **The Diocesan Canon 4-140, Section One**
 - The Convention, at each annual meeting, shall, by Resolution, set the minimum annual compensation which shall be payable to all parochial clergy during the next calendar year.
 - In addition, a Compensation and Benefits Committee shall review Diocesan staff needs and compensation, provide input into the Diocesan budget, and recommend health benefits for the Diocese.
 - Each parish in the Diocese shall establish a Compensation Review Committee, appointed by the Vestry. This Committee will be responsible for an annual review of the elements of compensation for lay and clergy employees for the coming year. A statement is to be included with the Annual Parochial Report, stating that this review has taken place.
- **Other Applicable Guidelines**
 - Sample Letters of Agreement may be found on the Diocesan website and downloaded for parish use, at <http://www.ang-md.org>.
 - Current Cash Salary Minima and Diocesan Resolution, as passed by Convention, are published in the Journal and available on the Diocesan website.
- **Definitions**
 - **Total Clergy Compensation** - (TCC) Includes the cash salary, housing, utilities, self-employment tax reimbursement, housing equity allowance, and any other cash that is paid to the clergy. The TCC represents the

figure used by the Church Pension Fund to compute the pension assessment paid by the congregation (Clergy Cost to the Congregation Worksheet found in Appendix 3).

- **Cash Compensation** - The minimum salary figure, updated annually at the Diocesan Convention, will be provided to each congregation. Salary guidelines are intended to help congregations determine a fair and current salary, determined by two elements: years of ordained ministry experience and size/type of congregations (see latest *Convention Journal*).
- **Supplemental Income** – Clergy shall not charge fees for performing rites of the Church. Clergy, may, however, accept honoraria for baptisms, marriages, or funerals, so long as it is reported on their tax return. The clergy may also receive income from other sources (e.g. fees and honoraria for professional services performed on personal time to groups unrelated to the congregation, or for sermons, books, or articles published outside the congregation).
- **Lay Employees** - A “lay” employee is any employee other than ordained clergy employed by a parish, congregation, or the Diocese. An employee is not an independent contractor. An employee may be designated as full-time, part-time, or temporary. Parishes must designate a lay employee as exempt or non-exempt. Questions concerning such classification should be reviewed with the Diocesan Human Resource office.

Lay employees may include, but are not limited to:

- Choir and Music Directors
- Education Directors
- Youth Directors
- Administrators
- Child Care Providers
- Bookkeepers
- Secretaries
- Sextons, Custodians

Compensation for church employees should be fair, equitable and in line with the regional wages and salaries paid for comparable positions. Canon 4-140 of the Diocese of Maryland requires that the Parish Compensation Review Committee annually review with the Rector or Vicar the compensation paid all lay employees.

CLERGY COMPENSATION

Every congregation of the Diocese of Maryland shall provide its clergy with at least the minimum annual compensation due them according to the Resolution passed at each Annual Convention, such compensation to become effective at the beginning of the following calendar year. Such “minimum annual compensation” (also referred to as “cash stipend”) becomes the basis of the “Total Cash Compensation” (TCC) figure that is used to calculate Church Pension Fund assessments.

Full-time clergy are “professional employees” whose responsibilities cannot easily be defined in a standard work week. Besides Sunday services, office hours and pastoral care visits, healthy clergy leadership requires time for prayer, reflection, study, sermon preparation, exercise and involvement in community activities. Many church resources reference a 55 hour work week – a number intended to represent an upper limit. Where the employment of a cleric is defined by the Letter of Agreement to be less than full time, the Vestry or Advisory Board shall determine and provide at least the appropriate pro-rated level of minimum annual compensation.

The provisions of this policy are applicable to all clergy who serve as Rector, Vicar, Priest-in-Charge, Interim Rector, Assistant, Associate, and Curate and to those who may be employed by the Diocese and its institutions in a clergy position in non-parochial or extra-parochial capacities. Compliance with these policies shall be stipulated in the Letter of Agreement, a copy of which shall be reviewed by the Bishops’ Office and kept on file. By March of each year, each congregation shall report to the Bishop on the compensation of its clergy and such report will be recorded in the subsequent *Post-Convention Journal*.

Full-Time & Part-Time Clergy Compensation

The full and part-time work week is defined in the “Letter of Agreement,” which is subject to the approval of the Bishop or the Bishop’s appointee. Although it must be emphasized that clergy are called to perform a function without regard to the

number of hours spent “on the job,” church leaders must avoid the temptation to abuse the process in order to extract more work for less pay from their clergy. Negotiation of the details of a compensation and benefits package for a part-time cleric is complex. A complication arises in measuring TCC when the part-time cleric chooses to receive a greater percentage of his or her compensation and benefits package as excludable income--i.e. housing allowance--than would a full-time cleric. The problem comes in calculating the value of housing for a cleric receiving a part-time cash stipend. If housing is provided, its value must be estimated at the fair market value of rental for the area, including furnishings and utilities.

The TCC for part-time positions should be proportionate to the amount of time for ordained leadership required by the congregation in relation to a normal full-time position.

Supply Clergy Compensation (also see latest *Convention Journal* for related information) Congregations periodically engage clergy for “supply” work to perform one or two and, in some cases, three services on a Sunday, or to perform a weekday service.

SECA REIMBURSEMENT

Although clergy are considered employees for federal income tax purposes, they are considered to be self-employed for social security tax purposes. As self-employed persons, clergy are required to pay 15.3% of their gross income from self-employment, as SECA. SECA is Social Security and Medicare taxes for the self-employed, but individuals receiving income from self-employment have no employer (other than themselves) to share in the cost of this tax.

The decision to reimburse clergy all or part of their SECA is an option each congregation should determine. Reimbursement of SECA is considered as part of TCC for pension contribution purposes and is subject to federal taxes.

SECTION II HOUSING

Two options exist for clergy housing: 1) a church-owned house in which the clergy and family live, paying no rent, and 2) outside-housing owned or rented by the clergy and family. In both cases a significant portion of the TCC is involved. See Appendix 3 for Vestry Resolution wording for tax-exempt housing allowance.

Church-Owned Housing

It is important that church-provided housing be on a par with typical housing in the community, and it is essential that it be faithfully maintained. According to Church Pension Fund norms, the value of church-owned housing, plus utilities, is usually taken to be 30% of the cash stipend. Maintenance of the house--including major appliances, mechanical systems and fixtures, as well as utilities and upkeep of the grounds--is the responsibility of the congregation. The cleric is responsible for personal property and personal property insurance on such property. In some cases a reasonable portion of the cleric's cash stipend may be declared a housing allowance; i.e., when it is used to purchase certain household furnishings, services and insurance owned by the cleric and family. This portion is excludable from taxation. In such cases the Vestry or Advisory Board must pass a resolution designating the amount of the allowance prior to January 1 of the year it is granted. (Appendix 3)

Clergy-Owned or Rented Housing

When the decision is made for the cleric to rent or buy housing, the Vestry must set a housing allowance as part of TCC, prior to January 1 of the year in which the housing allowance is used. To the extent that the housing allowance is actually used for housing expenses, that allowance is tax exempt. There are limits to the exemption, and a tax manual should be consulted for this purpose. Allowable purchases include most items pertaining to the purchase and furnishing of a home.

Typically allowed are the down payment, principal plus interest on a mortgage, real estate taxes, repairs, improvements, furniture, furnishings and appliances. The amount of the housing allowance is limited in that it cannot exceed the fair market rental value of the house fully furnished with utilities. Again, consult a tax manual. All of the housing allowance must be included in TCC for pension purposes.

Equity Allowance

When the cleric opts to live in church-owned housing, it is appropriate for the Vestry to provide an equity allowance. This permits the clergy to build equity, similar to those opting for home ownership. The amount should be between 2% and 6% of TCC. Typically this amount is put in a tax deferred escrow account and is available after a minimum number of years' service to the congregation. The allowance is, of course, part of TCC.

SECTION III BENEFITS

Clergy Pension

In order to comply with the Canons of General Convention, each parish clergy person must be enrolled in the Church Pension Fund. The Fund provides a pension to the cleric and in the event of his or her death, to the survivors. The full cost of the Church Pension Fund's assessment is the responsibility of the congregation or institution. The formula used for annual assessment is: 18% of the sum of the annual stipend (cash salary) + SECA reimbursement, if provided, + utilities + housing + equity allowance. Clergy Pension Fund coverage provides age-retirement benefits, some disability benefits, a death benefit and life insurance.

The pension premium is required for full-time, part-time, supply or interim work when that work continues for at least three consecutive months with earnings of at least \$200 a month, not including travel expenses.

The importance of keeping premiums paid up to date on a quarterly basis cannot be overstressed. It is incumbent upon the clergy to check the status of payments on a regular basis. When payments are in arrears, a report is sent to the clergy by the Church Pension Fund.

Lay Pension

It has been mandated by General Convention that all lay employees who work a minimum of 1,000 hours annually be provided retirement benefits through participation in the Episcopal Church Lay Employees' Retirement Plan or in an equivalent plan.

The Church Pension Fund provides two options:

- A Defined Benefit Plan wherein the employer contribution shall be not less than 9 percent of the employee's salary.
- A Defined Contribution Plan wherein the employer shall contribute not less than 5% and agree to "match" employee contributions of up to another 4%.

All clergy and lay employees working 20 or more hours a week are eligible for participation in the following benefits. All enrollments, changes and terminations for the Health, Dental and Life plans must be processed through the Human Resources Office of the Diocese. Enrollment must be within 30 days of the hire date. Open enrollment for Health and Dental occur each fall for coverage the first of the following year.

HEALTH INSURANCE

The Diocesan Health Plan provides choices of coverage for all eligible clergy and lay employees. Congregations shall pay the full health premium for clergy who should be enrolled in a Diocesan plan unless covered through a spouse/partner's plan. A domestic partner of the same gender is eligible to be covered after meeting certain criteria. By resolution of the 70th General Convention, all lay employees should be provided health insurance benefits comparable to those provided active clergy. The choice of which plan to enroll in should be left entirely to the individual.

DENTAL INSURANCE

All clergy and lay employees are similarly eligible for dental insurance coverage through the Diocesan dental plan.

LIFE INSURANCE

Clergy, through the Church Pension Fund, and lay employees in the Defined Benefit Plan are provided life insurance coverage equal to 2x the current TCC, up to a maximum of \$50,000.

A group policy is also provided by the Diocese and Church Life in the amount of \$50,000 for clergy and \$25,000 for lay employees.

Those with more than \$50,000 provided by the employer will have an income tax liability each year. The IRS provides a table, available through the Diocese, which must be used to determine the value of this benefit.

Supplemental Group Term Life is also available through Church Life Insurance Corporation.

DISABILITY INSURANCE

Income Replacement Plan Church Life offers a short-term disability plan for clergy and lay employees that provides for payment to a disabled employee during the time of his/her disability after 30 days and for up to 52 weeks. The Diocese encourages

each congregation to budget for short-term disability insurance for the protection of its staff, and hence, the protection of the congregation. Effective 1-1-04, all premiums for active clergy will be paid by Church Life Insurance.

Voluntary Long-Term Disability and Non-Contributory Long-Term Disability plans provide benefits after twelve months of certified disability.

Enrollment must be within 60 days of hire and is processed directly with Church Life. There is no open enrollment period for disability coverage.

LONG TERM CARE

The Church Pension Group provides long term care insurance through Prudential Insurance Company of America. It is available for active and retired clergy, lay employees, surviving spouses, and volunteers, including vestry members, and eligible family members. This insurance is offered on a voluntary basis at the participant's sole expense.

TAX-SHELTERED ANNUITY

Tax-sheltered Annuities (403b), also offered through Church Life, provide an opportunity for the employer to reduce an employee's taxable salary by a specified amount, and pay that amount into an annuity for retirement. Lay employees pay Social Security taxes on the amount going into the annuity; clergy, because they are self-employed for purposes of Social Security, do not pay taxes on the amount going into the annuity.

WORKER'S COMPENSATION

By law, all congregations must pay Worker's Compensation premiums for their employees. This law assures compensation for medical care and loss of wages due to an accidental injury or personal or occupational illness that arises out of and in the course of employment. An injury must be reported immediately to one's supervisor. Coverage is readily obtained through the property and liability carrier.

UNEMPLOYMENT COMPENSATION

The Episcopal Church, being a non-profit organization, is exempt from federal and state unemployment taxes. If a church elects not to participate in unemployment compensation payments, the affected employees must be notified at the time of hire, and should acknowledge such notification in writing.

CLERGY WEEKLY TIME OFF

Every cleric should have at least one continuous 24-hour period of time off each week for rest and refreshment. Letters of Agreement should reflect this necessity with absolute clarity. The congregation should be informed of the designated day on a regular basis. In the case of an emergency causing the cleric to work on a designated day off, he or she shall have the right to take another day off within a reasonable time period. Wardens and other congregational leaders should be mindful of this requirement, and are urged to keep both congregation and cleric faithful to this arrangement.

CLERGY SABBATICAL TIME

It is important for clergy and congregations to plan for sabbatical time, to be used for continuing education, travel and refreshment. When properly planned and executed, sabbaticals are beneficial both to clergy and congregations. Sabbatical arrangements, therefore, are a normal component of the compensation package, and this should be reflected in long-range financial plans. Typically, clergy receive three months of sabbatical time after five years served. No more than three months of sabbatical time should be taken in any given year. A terminal sabbatical (where unused months are taken at retirement or when a cleric moves on to a new position) is not permitted, and unused months may not be “cashed out”. In the case of a Priest-in-Charge becoming a Rector, sabbatical time should be counted from the time the original Letter of Agreement was signed.

The following are Leave Policies found in the Employee Handbook of the Diocese which are being provided as guidelines for the parishes. It is suggested that each parish adopt its own policies. Specific policies may be modified by Letters of Agreement.

VACATION LEAVE

Regular full-time employees who have completed the 3 months (90 day) probation period accrue vacation during their first calendar year based on the following schedule:

<u>Hire Date</u>	<u>Vacation Days</u>
1/1 – 3/31	10
4/1 – 6/30	5
7/1 – 12/3	0

- Regular full time employees are eligible for twenty (20) days of paid vacation the second calendar year and every year thereafter.
- Part time employees working twenty (20) hours or more per week are eligible for vacation on a pro-rated basis.
- Normally there can be no carry-over into the next calendar year of unused vacation time. (Holidays within an employee’s scheduled vacation shall not be charged as vacation.)
- Scheduling of all vacations must be approved in advance by the immediate supervisor.
- All planned absences must be pre-approved by the immediate supervisor. Signed absence reports are filed in the Human Resources Coordinator’s office.

PERSONAL LEAVE

Full-time and part-time employees may request a paid personal leave of up to three (3) days per calendar year for time off when no other leave is appropriate. This leave must be approved in advance by the immediate supervisor. Personal leave

with pay may be considered for events such as court appearances and personal emergencies when no other leave is appropriate. Personal leave may not be used to extend scheduled vacation and must be used during the calendar year. There shall be no payment for unused personal days at the end of the calendar year or in the event of termination.

SICK LEAVE

Sick leave is a benefit provided for all regular employees who work at least twenty (20) hours per week on an ongoing basis. Full time employees accumulate sick leave at a rate of one (1) day or eight (8) hours per month. Part time employees are eligible for sick leave on a pro-rated basis.

Sick leave can be used in the following situations:

- a) If employee is ill, injured (unless on the job in which case worker's compensation provisions apply), temporarily disabled, physically or mentally unable to do the job; or
- b) If employee has a medical or dental appointment; or
- c) If employee's dependent is ill and requires care by the employee.

An employee using sick leave must notify his/her immediate supervisor at the beginning of the workday. Where a relatively long period of absence is anticipated, the employee need only contact his/her supervisor on the first day of the absence, but should state at that time the estimated time of the absence. An employee may be required to provide medical verification of an illness, etc., if he/she has taken five (5) consecutive days of sick leave with pay. The employer reserves the right to request and receive verification from a doctor that the employee is able to return to work and resume regular work responsibilities or that the employee is not able to return to work.

- Holidays within an employee's sick leave shall not be charged as sick leave.
- Sick leave may be carried over and accumulated from year to year to a maximum of twenty-four working (24) days. An employee will not be compensated for unused sick leave upon termination of employment.
- The Human Resources Coordinator periodically reviews all employees' use of sick leave.

- **Employees who seem to be using excessive sick leave will be counseled by their immediate supervisor(s). Submission of a doctor’s certificate may be required for repeated absences.**

FAMILY AND MEDICAL LEAVE

While the Diocese will not necessarily follow the Family and Medical Leave Act of 1993 (“FMLA”) and its regulations in every respect, unless otherwise required by applicable law, it is the policy of the Diocese to concur with the FMLA wherein periods of unpaid leave will be granted to employees who request time off for family or medical reasons. It is important to note, however, that any FMLA leave will run concurrently with other types of leave. For example, employees who qualify for a week of sick leave will simultaneously be deemed by the Diocese to have used a week of FMLA leave. The eligibility criteria and general guidelines used in administering this policy are set forth below.

Covered Employees. To be eligible for leave under FMLA, you must have been employed by the Diocese for at least twelve months, whether consecutive or intermittent, and worked at least 1,250 hours during the twelve-month period preceding the leave.

Reasons for Leave. You may request leave under the FMLA for the following events: birth of a child; placement of a child with you for adoption or foster care; time needed to care for a spouse, domestic partner, child or parent with a serious health condition; or you are unable to perform your job due to your own serious health condition. For purposes of this policy, a serious health condition is an illness, injury, impairment or physical or mental condition that involves inpatient care in a hospital, hospice or residential medical care facility, or continuing treatment by a health care provider.

Length of Leave. Leave under the FMLA is limited to a total of twelve workweeks during a twelve-month period. In determining the amount of FMLA available to you, we will consider the twelve-month period preceding the date of the leave is to be used. Leave taken to care for a sick family member or because of your own serious health condition may be taken intermittently or on a reduced work schedule when medically necessary and supported by certification from your doctor or other

health care professional. FMLA leave taken for the birth of a child, or for the placement of a child for adoption or foster care, must be taken as a single block of time, unless otherwise agreed to by the Diocese, and eligibility for such leave ends twelve months after the date of birth or placement.

Pay Status During Leave. Your pay status during a period of leave under the FMLA will depend on the reason for the leave, the length of the leave and the amount of available (i.e., earned but unused) sick, vacation and personal (SVP) time as of the beginning of the leave. You will be required to utilize the SVP time which you have available to cover all or a portion of your absence in accordance with applicable policy, and you will receive full pay until your available paid leave is exhausted. If appropriate benefits are exhausted, you will be in unpaid status during the remainder of the leave. SVP time will not accrue during any period for which you are receiving short-term disability benefits or are in unpaid status.

Notice Required. If the need for leave is foreseeable, you must notify us at least thirty days prior to the date the leave is to begin. If the need is not foreseeable, you should provide as much notice as possible. The request for leave should be made in writing and include the reason for the leave and amount of time required. IF the leave is needed because of a serious health condition, whether yours or that of a family member, you will be required to provide us with a health care provider's certification, on a form we will supply, to support the need for the leave. In the case of leave taken because of your own serious condition, certification of your ability to return to work may also be required.

Effect on Benefits and Employment. Coverage under the Diocese's group health, life and disability plans will continue at no additional expense to you during any period that you are on leave under the FMLA.

Upon return to work from leave under the FMLA, you will be placed in the position you held prior to the leave or in one which, in the diocese's judgment, is equivalent in pay, benefits and other conditions and terms of employment to that held prior to the leave.

The provisions set forth above are a brief summary of the entitlements and requirements under the FMLA. It is our intention to administer the policy in a manner consistent with regulations issued by the Secretary of Labor. Questions regarding the FMLA should be directed to your supervisor or the Coordinator of Human Resources.

BEREAVEMENT LEAVE

An employee is entitled to paid leave in the event of death in his/her immediate family. Except in unusual circumstances, such leave is not to exceed three (3) working days. Immediate family of the employee shall consist of mother, father, sister, brother, husband, wife, domestic partner, son, daughter, foster child, mother-in-law, father-in-law, grandparents, grandchildren, and for relatives residing with the employee.

One (1) working day of paid bereavement leave may be allowed in the event of the death of a close friend or relative other than those listed above.

HOLIDAYS

Full-time employees will receive the following 11 non-working paid holidays each year. Part-time employees will receive holiday pay for that part of the holiday that normally would have been worked.

- **NEW YEAR'S DAY**
- **THE REV. DR. MARTIN LUTHER KING, JR.'S BIRTHDAY**
- **PRESIDENTS' DAY**
- **GOOD FRIDAY**
- **EASTER MONDAY**
- **MEMORIAL DAY**
- **INDEPENDENCE DAY**
- **LABOR DAY**
- **THANKSGIVING DAY AND THE DAY AFTER**
- **CHRISTMAS**

PROFESSIONAL DEVELOPMENT

Time off with pay may be granted to an employee wishing to attend conferences, workshops, etc., which are directly related to his/her present position. Time off must be approved in advance by an employee's immediate supervisor.

Funding for professional development is available upon request. The employee must complete a request form. It must be signed by a Bishop and the immediate supervisor.

JURY DUTY

The Diocese recognizes its employees' civic obligation to serve as jurors when called and, therefore, grants leave of absence with pay to full-time and part-time employees in accordance with the following provisions:

- **On days for which continued attendance is not required the employee is expected to return to work.**
- **Employees are encouraged to use their own judgment and counsel of their supervisor to request exception from jury duty when permitted by law if their participation on the jury will cause the employer to suffer or be a personal hardship to the employee.**

MILITARY LEAVE

Consistent with the USERRA, an eligible employee will be granted leave time for training or active duty in the Armed Forces.

VOTING

It is the policy of the Diocese to permit employees an adequate opportunity to vote in general and primary elections. It is desired that an employee vote either prior to reporting to work or after departure.

SECTION IV BUSINESS EXPENSES

It is appropriate that clergy and lay employees be reimbursed for expenses incurred on behalf of the congregation during the discharge of church responsibilities. This reimbursement is not considered to be compensation, but a reference to this policy may be made in a standard Letter of Agreement. Historically, clergy have been provided with an auto allowance. Due to the limitations of such an allowance and the negative tax implications, it is recommended that the Vestry/Advisory Board adopt an “accountable business expense reimbursement plan.” The Internal Revenue Service has issued extensive regulations regarding the guidelines for such a plan and the allowable reimbursable expenses. The plan needs to include budget limitations, if any. Allowable expenses that are not reimbursed by the church may be deductible on the employee’s tax return, subject to limitations. The documentation requirements are identical for both employee expense reimbursement and for tax deductibility.

(See Appendix 4)

Accountable Reimbursement Policy

See policy on Reimbursable Expenses in the *Business Methods Manual*.

Reporting Guidelines and Summary

See page IV-6 of the *Business Methods Manual*.

Standard Reimbursable Expenses

- **Transportation Expenses**

Commuting expenses are NOT reimbursable. The definition of commuting includes travel to and from home to one’s regular “place of business” even for more than one round trip per day.

Trips from the church to another location are reimbursable to the extent that the employee travels to and/or from the church to the second location.

Trips between home and a “temporary” business location, such as to perform services, participate in meetings or attend training events in another city, are reimbursable. Standard mileage rate shall be reimbursed in accordance with prevailing IRS standard. If unsure, contact the Diocesan Business Office.

For church-provided automobiles, consult an appropriate Tax Guide.

- **Travel Expenses**

Expenses for business travel temporarily away from home including meals, lodging, transportation fares, tips, and cleaning and laundry expenses are reimbursable. Telephone costs are reimbursable when they are business-related.

If travel is primarily personal, such as vacation, and some business is conducted, no part of the expense is reimbursable.

If travel is primarily business and is extended for a brief period for personal business or vacation, the travel and business-related expenses are reimbursable.

Spouse travel is reimbursable only if the spouse is an employee of the church, has an assigned business purpose or is required by church policy to accompany the cleric.

- **Professional Dues and Meeting Expenses**

Expenses for employees to participate in professional organizations relating to work responsibilities are reimbursable.

The costs of attending Clergy Conference, Clergy Days, Clericus, Diocesan Convention, participation on Diocesan committees, participation in Diocesan regional activities, and such events as the Parish Administrators' Workshop for staff employees, are to be paid by the church.

- **Educational Expenses (employer-assisted)**

Clergy are to receive an annual amount for educational purposes, not less than \$500.

It is recommended that lay staff employees also be provided funds for work-related enhancement of job skills.

To qualify as a reimbursable expense, the criteria is the same as for tax deductibility (i.e., it is either required by the employer, or the education maintains or improves the employee's job-related skills).

Covered expenses include tuition, fees, books and equipment.

- **Entertainment Expenses**

Entertainment expenses include meals, amusement such as sporting events, or trips (such as for fishing, e.g.).

To be reimbursable, entertainment expenses must be directly related to the active business/ministry of the church, or be directly before or after a substantial business discussion.

Generally, meals with staff or co-workers are not considered to be reimbursable under the IRS guidelines. However, special occasions, such as birthdays, may be an exception.

- **Personal Computers**

Some cost of a home personal computer, depending on the percentage of use, may be reimbursed if it is for the convenience of the church or otherwise for the job, unless job requirements can be satisfied without the use of a personal computer.

- **Subscriptions and Books**

Employees may be reimbursed for these expenses within budget guidelines, if the materials are clearly work/ministry-related.

- **Cell Phones**

The cost of cell phones is reimbursable if the use of the phone is both for the convenience of the employer (i.e., other phone equipment is not furnished), and it is a condition of employment (for example, to satisfy a policy requiring phone calls be returned within a certain time frame).

The IRS guidelines for reimbursement of cell phone expenses require that the employee maintain a log of business calls detailing the duration of the call and the nature of the business discussed. The cost of the phone is prorated based upon the ratio of business to personal use.

- **Office Expenses**

Generally, the church provides these materials; however, occasions may occur when it is necessary for a staff person to make the purchase. These costs may be reimbursable with proper approval and documentation.

Discretionary Funds – See Appendix 5 for guidelines on discretionary spending.

SECTION V
MUTUAL MINISTRY REVIEW

The Clergy, Wardens and Vestry agree to an annual discussion and mutual review of the total ministry of the parish, in order to:

- **Provide the Clergy, Wardens and Vestry opportunity to assess how well they are fulfilling their responsibilities to each other and to the ministry they share.**
- **Establish goals for the work of the parish for the coming year.**
- **Isolate areas of conflict or disappointment that have not received adequate attention and may be adversely affecting mutual ministry.**
- **Clarify expectations of all parties to help put any future conflicts in manageable form.**

A mutually agreed upon third party shall be engaged to facilitate this process.

SECTION VI IMPLEMENTATION OF THE GUIDELINES

A full understanding of this document is essential for all individuals involved in determining levels of compensation for the clergy of their congregations. This includes members of the Vestry, Advisory Boards, Personnel/Compensation Committees, Finance Committees, Treasurers and Clergy. Please note the following expectations:

To implement this Guide, each parish should take the following steps:

- Appoint a Compensation Review Committee in accordance with Diocesan Canon 4-140, Section 2.**
- The Committee reviews the Canon to obtain an understanding of its responsibilities and studies this Guide for help in establishing appropriate compensation.**
- The Committee reviews compensation and Letters of Agreement of current clergy and lay staff for compliance with this Guide and takes corrective action where necessary.**
- The Committee may need to develop a timeline for annual reviews, budget preparation and other committee responsibilities.**
- For resources see Appendix 6.**

Those responsible for compensation review of clergy should keep in mind the following expectations.

- The Bishop will not allow the calling of clergy to new positions in the Diocese if these guidelines are not met. The Wardens for congregations whose current clergy compensation and benefits or congregations whose clergy compensation and benefits do not meet these guidelines, shall make an appointment with the Bishop to develop a plan for reaching compliance.**

- **A cleric’s TCC should be commensurate with his/her background, experience, responsibility, capability and the salaries in comparable fields. The TCC should enable the cleric to maintain a moderate standard of living in the community, at minimum. The TCC should be related to the TCC that would be paid should the present cleric have to be replaced. The TCC guidelines are for full-time and part-time ordained positions.**
- **Each congregation should have a written Letter of Agreement (see Appendix 1) with their cleric, with a copy on file in the Bishop’s office.**
- **Part-time Assisting Clergy should be compensated on a pro-rated basis using hours stipulated in their Letter of Agreement. “Full-time” is considered to be up to 55 hours/week, noting the elements described above on page 5 .**
- **Definitions/responsibilities of support clergy are available from the Deployment Officer.**
- **Full-time, settled Rectors/Vicars with ten years or more experience in ordained ministry and leadership should be at least at the mid-point of the applicable parish-type clergy compensation range. Congregations failing to meet this standard are required to submit a plan for compliance to the Bishop.**
- **If housing is provided, the TCC guidelines in the applicable range should be reduced by the amount of the “Fair Rental Value” of the church-provided housing to determine the actual cash stipend. Each congregation is required to pay the 18% Church Pension Fund assessment on the TCC amount.**
- **The Diocese supports Clergy Sabbatical Leaves for study and renewal. A Sabbatical Leave is time away from work responsibilities to fulfill a specific plan for personal growth, renewal and reflection. A leave is not a vacation, and the program of development should be of value not only to the member of the clergy, but to the congregation as well. Each**

cleric is expected to meet with the Bishop to discuss his/her proposed Sabbatical Leave. *The Diocese expects that the cleric will return to the congregation for a minimum of one-year following a Sabbatical Leave.* Generally speaking, a Sabbatical lasts for three months and is granted after the cleric has served the congregation for five years. Full compensation and benefits are continued during the leave.

APPENDICES

- 1. Clergy Letter of Agreement**
- 2. Clergy Cost to Congregation Worksheet**
- 3. Vestry / Advisory Board Resolution (Housing Allowance)**
- 4. Employee's Monthly Expense Report**
- 5. Clergy Discretionary Fund Guidelines**
- 6. Resources**

APPENDIX 1

The Letter of Agreement

Introduction

The relationship between a Rector/Vicar and a Vestry/Advisory Board is unique, and it evolves within a larger covenant of mutual trust and ministry to each other. The purpose of a Letter of Agreement is to strengthen that relationship by clarifying some of the practical arrangements and reduce later misunderstanding.

The Letter of Agreement is intended to be negotiated after the Vestry has extended the initial call to the Rector/Vicar and it should be reviewed and updated, with approval of the Bishop, annually. The following model contains recommended provisions that may be varied according to particular facts and circumstances of each congregation. For a Part-time Rector/Vicar, the various sections should be prorated on the basis of a percentage, e.g., quarter-time = 25%, half time = 50%, or three quarter-time = 75%. Letters of Agreement for Priests-in-Charge, Assistant Rectors, and Interim Priests do vary and are available from the Deployment Officer.

The following is a model Letter of Agreement for Rectors/Vicars.

Rector Letter of Agreement
Between
The Wardens and Vestry of
_____ **Church**
and
The Reverend _____

who has been selected Rector with the understanding that this tenure is to continue until dissolved by mutual consent or by arbitration and decision as provided by the relevant Canons of the Diocese of _____ and of the General Convention.

PREAMBLE

The Rector shall lead _____ Church as pastor, priest and teacher, sharing in the councils of this congregation and of the whole Church, in communion with our Bishop. By word and action, informed at all times by the Holy Scriptures, the Book of Common Prayer, the Constitution and Canons of the General Convention and Our Diocese, the Rector shall proclaim the Gospel, love and serve Christ's people, nourish them, and strengthen them to glorify God in this life and in the life to come.

This ministry is further described in the Rector Position Description approved by the Rector, Wardens and Vestry on _____, which is hereby acknowledged and made part of this Letter of Agreement.

ALTERNATE WORDING for POSITION DESCRIPTION

This ministry will be further described in a Rector Position Description that meets the mutual approval of the Rector, Wardens and Vestry, to be completed between the seventh and twelfth month of their ministry together. When the Rector Position Description has been thus completed, it shall be considered a part of the Letter of Agreement.

SECTION A – TIMES OF WORK AND LEAVE

- (1) The Rector’s work includes not only activities directed to the parish and its well being, but also labors on behalf of the Diocese and community. The Rector’s workweek includes time for personal prayer, exercise, study, sermon preparation and participation in neighborhood activities, typically 55 hours. In general, no more than three evenings per week are expected. The Rector is expected to preserve at least one continuous twenty-four hour period each week solely for personal and family use.**
- (2) The Rector will have the following periods of leave at full compensation.**

 - **National Holidays, to be taken so as not to interfere with worship for major occasions**
 - **One month annual vacation, consisting of twenty-three workdays, which shall include five Sundays. No more than _____ days and one Sunday may be carried forward to succeeding years.**
 - **Professional Development Leave, at the rate of two weeks per year.**
 - **Three months Sabbatical Leave, to be available after the fifth year, and every five years thereafter. Sabbatical arrangements shall be made in full consultation with the Vestry, to insure benefits for the parish as well as for the Rector.**
 - **_____ weeks Parental Leave for the period immediately surrounding the birth of a child to the Rector/Rector’s wife, beginning at a time decided by the Rector.**

SECTION B – COMPENSATION

- (1.) The Rector’s annual cash salary will be \$ _____, paid monthly on or before the _____ day of the month, to be reviewed and adjusted annually in light of changes in the _____ Consumer Price Index and the current Diocesan minimum clergy salary standard. Upon the Rector’s request, the Vestry will designate**

a portion of the total cash salary as “Housing Allowance” under the Federal Internal Revenue Code.

- (2). The Rector shall receive SECA Reimbursement payments quarterly before the 15th of April, June, September, and December, according to the following formula:

- (3). The Vestry shall pay the following benefits:

- Church Pension Fund Assessment on the sum of the Rector’s total cash compensation.
- Health and Hospital Insurance (HHI), equivalent to or better than the group plan provided through the Diocese.
- Group Life and Accidental Death and Dismemberment Insurance, equivalent to or better than the group plan provided through the Diocese.
- Workers’ Compensation Insurance, as provided by State Law.

ALTERNATE WORDING FOR CHURCH-PROVIDED HOUSING

- (1). The Rector’s annual cash salary will be \$_____, paid monthly on or before the ____ day of the month, to be reviewed and adjusted annually in light of changes in the Consumer Price Index and the current Diocesan minimum clergy salary standard. Upon the Rector’s request, the Vestry will designate a portion of the total cash compensation as “Housing Allowance” under the Federal Internal Revenue Code.

- (2) **The Rector shall have full use of the Rectory at _____, as personal residence. No parish activities will be planned at the Rectory without the invitation of the Rectory household. Expenses connected with the Rectory shall be handled as follows:**
- **Utilities shall be contracted for and paid directly by the Vestry.**
 - **Expenses for repair, remodeling and major appliances shall be paid by the parish in accordance to the annual plan and budget mutually agreed to by the Rector and Vestry. Within that plan and budget, the Rector may authorize such expenditures, up to \$_____ monthly, reporting them within ten days to the Vestry/Advisory Board.**
 - **Use and maintenance of Rectory grounds are at the Rector's discretion and personal expense, with the exception of major alterations to the basic landscaping plan, and such grounds maintenance items as may be included in the annual plan and budget referred to in sub-paragraph (b) above.**
 - **Church Pension Fund Assessment on the sum of: the Rector's annual cash stipend; the Rector's SECA Reimbursement; the actual cost of Rectory utilities; and the value of the use of the Rectory according to the Church Pension Fund Formula.**

ALTERNATE WORDING FOR SPECIAL CASES

- **If equivalent or better HHI is provided independently through the employment of the Rector's spouse, the Rector may sign a waiver to forego the Diocesan HHI plan. The Vestry will then not provide duplicate coverage, but will use the amount of the Diocesan HHI premium as follows: _____ if at any time the Rector revokes the waiver, the Vestry will provide HHI in accordance with the Diocesan plan.**

SECTION C – EXPENSES

The Vestry shall pay the following expenses incurred by the Rector in fulfilling the duties of official requirements:

- (1) Travel expenses, at the rate of \$ ___ a mile (to be reviewed annually against actual cost) plus out-of-pocket costs of parking fees, tolls, bus fares, etc.**
- (2) The normal expenses of the church’s office operation; such as telephone, postage, office equipment, supplies, secretarial services, etc.**
- (3) An expense allowance (up to \$ _____ annually) for reimbursement of expenses incurred in the course of professional activities on behalf of _____ Church.**
- (4) The cost of a telephone in the Rector’s residence. This telephone number shall be public to insure the Rector’s ready accessibility in case of emergencies. The Rector shall pay cost of all personal long distance calls.**
- (5) A Professional Development Allowance of at least \$_____ per year, to be reviewed annually, set aside January 1 each year in a special account, and paid to or on behalf of the Rector toward expenses incurred in relation to Professional Development Leave. Unexpended portions of this allowance shall be allowed to accumulate for use in succeeding years up to six years.**

SECTION D – DISCRETIONARY FUND

In accordance with the canons of General Convention, a Discretionary Fund is to be established under the Rector’s sole control, from the following sources: _____

and gifts given the Rector for the purposes of the Discretionary Fund.

SECTION E – SUPPLEMENTARY COMPENSATION

The Rector shall not charge fees for performing any rites of the Church (for example, baptisms, marriages, funerals) for members of _____ Church. The Rector may, however, receive income from other sources, such as:

Fees and honoraria for professional services performed on personal time for groups unrelated to Church, or for sermons, books or articles published outside the parish.

ADDITIONAL WORDING FOR SPECIAL CASES

The Rector may engage in income-producing activities up to a total _____ of days per year, which shall not be counted against any leave time.

SECTION F – USE OF BUILDINGS

In addition to use and control of the Church and parish buildings for the discharge of duties of the Rector’s office, as provided by canon law, the Rector shall have the right to grant use of the buildings to individuals or groups from outside the parish, following guidelines approved by both Rector and Vestry.

SECTION G – MUTUAL MINISTRY REVIEW

The Rector, Wardens and Vestry agree to an annual discussion and mutual review of the total ministry of the parish, in order to:

- Provide the Rector, Wardens and Vestry opportunity to assess how well they are fulfilling their responsibilities to each other and to the ministry they share.**
- Establish goals for the work of the parish for the coming year.**
- Isolate areas of conflict or disappointment that have not received adequate attention and may be adversely affecting mutual ministry.**

- Clarify expectations of all parties to help put any future conflicts in manageable form.

A mutually agreed upon third party shall be engaged to facilitate the mutual ministry review process.

SECTION H – GRIEVANCE

(Dissolution of the pastoral relationship)

Diocesan Canon 4-120

Severance Packages

In the event of the Dissolution of the Pastoral Relationship under the terms of Canon 4-120, the congregation shall pay the following severance (as established by the Standing Committee, September 2003): One month’s pay for every year of service not to exceed six month’s pay plus vacation time for the current year only. (Unused sabbatical time or previous vacation is forfeited.)

SECTION I – OTHER AGREEMENTS

- All moving and travel expenses incurred in making the move from _____ to _____ shall be paid by _____ Church. Moving expenses shall include family travel, transporting household goods, reasonable temporary accommodations during the move, and an Incidental Expenses Allowance of up to two weeks’ compensation (\$ _____).
- The moving date shall be in the week of _____. The Rector shall begin duties in the parish not later than _____, unless delayed by adverse circumstances.
- All pay and benefits shall become effective on _____ .
- This Letter of Agreement, and its related Position Description, shall be made part of the minutes of the next Vestry meeting following its signing, and copies shall be given to each new Vestry member.

- The Rector shall attend all meetings of the Fresh Start Program offered by the Diocese for a period of twenty-four months at the beginning of his or her tenure within the congregation.
- In the event of the Rector’s death, the Vestry agrees to continue payment of the Rector’s Cash Salary and appropriate Health and Hospital Insurance to the Rector’s surviving direct dependents for a period of _____ months.

ALTERNATE WORDING FOR CHURCH-PROVIDED HOUSING

- In the event of the Rector’s death, the Vestry agrees to continue to provide the Rector’s surviving direct dependents with the compensation items agreed to in Section B (1) and (2), and appropriate Health and Hospital Insurance for a period of ____ months. Continued use of the Rectory beyond this term shall be subject to agreements entered into during the term.
- This letter may be revised only by mutual agreement at the time of the annual mutual ministry review, except that compensation and expenses revisions shall be mutually agreed upon in a separate budget process.
- If the Rector and Vestry are in disagreement concerning interpretation of this Letter of Agreement, either party may appeal for mediation to _____, or another mutually agreed upon third party, the Bishop remaining the final arbiter.

Date _____ Rector _____

Senior Warden _____

Reviewed _____

Deployment Officer

Approved _____

Bishop

APPENDIX 2
Clergy Cost to Congregation Worksheet

Cleric _____ Congregation _____ Date _____

I. Clergy Compensation

This Year

Next Year

A. Cash Compensation

B. Housing

If Parish Provided, figure 30% of Cash Compensation for Pension Fund Calculation up to Fair Market Value

Or The amount to be declared housing allowance will be determined by the vestry in accordance with IRS rules.

C. Utilities

D. Equity Allowance

E. Self-Employment Tax (@ 7.65%)

Total Assessable Compensation (TAC)

II. Benefits

A. Pension Premium (18% of TAC)

B. Health Insurance Premium

C. Life Insurance Premium

D. Dental Insurance

III. Optional Benefits

A. Supplemental Life Insurance

B. Long Term Disability Plans

C. Deferred Income Plans

D. Sabbatical Leave Fund

TOTAL BENEFITS

IV. Expenses

A. Travel and Business Expense _____

(Auto Reimbursement @ IRS Rate)

B. Professional Expenses _____

C. Continuing Education _____

Total Expenses _____

Total Clergy Cost to Congregation _____

APPENDIX 3

Vestry/Advisory Board Resolution (Tax-Related)

The following is a suggested insert for Vestry/Advisory Board's minutes to designate cash compensation used as clergy housing expense:

The Vestry/Advisory Board has received a request from the Reverend _____ outlining the amount that he/she will be required to spend in 20____ to provide housing for himself/herself and family. After consideration on a motion duly made and seconded, the following resolution was adopted:

BE IT RESOLVED, that the Rev. _____'s, compensation for the year 20____ be set at \$_____ of which \$_____ is designated as an allowance for the expense of providing a home for the year 20____.

(If the cleric is provided with rent-free use of a house (rectory), the following should be added:)

The Rev. _____ shall also be provided with the rent-free use of the house located at _____ for the year 20____ in consideration of his/her services as _____ for _____ Church, _____, Maryland.

The Fair Rental Value of this property was established to be \$_____ as of _____. *(date)*

APPENDIX 4

Employee's Monthly Expense Report

Employee's Name _____ Date _____

I Mileage & Transportation Expense (job-related)

- a) **Personal auto business miles @ current** \$ _____
IRS reimbursement rate of _____ per mile
- b) **Parking fees, tolls, local fares** \$ _____
- Total Mileage and Transportation Expense** \$ _____

II Travel Expense (*away from home 50 miles and overnight*)

- a) **Fares (air, train, bus)** \$ _____
- b) **Lodging** \$ _____
- c) **Meals** \$ _____
- d) **Postage** \$ _____
- e) **Cleaning** \$ _____
- Total Travel Expenses** \$ _____

III Professional Expenses

- a) **Continuing education, seminar,
conference fees** \$ _____
- b) **Books and publications** \$ _____
- c) **Dues** \$ _____
- d) **Supplies** \$ _____
- e) **Business Meals** \$ _____
- f) **Business Telephone** \$ _____
- g) **Equipment Maintenance** \$ _____
- h) **Vestment Cleaning and Repair** \$ _____
- i) **Miscellaneous** \$ _____

Total Professional Expenses \$ _____

Total Monthly Expenses \$ _____

Receipts for all major expenses, and lesser ones when relevant and available, should be attached to certify that the expenses reported above are business expenses (i.e. directly attributable to my ministry).

Signature _____

APPENDIX 5

Discretionary Fund Guidelines

A Canon of *The Protestant Episcopal Church of the United States of America Canons – 2000* provides for the funding of Discretionary Funds for the clergy to use at their discretion. This recognizes the need of the clergy, who have the knowledge of particular needs, to be able to respond in confidentiality out of such funds. Title III, Canon 9, Section 2(b) (6) states:

“The Alms and Contributions, not otherwise specifically designated at the Administration of Holy Communion on one Sunday in each calendar month and other offerings for the poor, shall be deposited with the Member of the Clergy in charge of the Congregation or with such Church officer as the Member of the Clergy in charge shall appoint to be applied to such pious and charitable uses as shall be thought fit by the Member of the Clergy. When a congregation is without a Rector, the Vestry should appoint a responsible person to serve as almoner.”

A Discretionary Fund is never an expense account and such funds are not to be used for personal purposes. Expenditures for such items as professional education expenses, books, journals, professional memberships, and vestments, hospitality expenses for church members or church employees are either reimbursable expenses or business expenses that are deductible on Schedule A. It should be noted that when a member of the clergy leaves the congregation, the discretionary fund remains with the congregation. The account belongs to the congregation and not to the cleric. Discretionary Funds should not be used as a “pass through” account for other special offerings. For instance, a Discretionary Fund should not receive funds through a special appeal for the Episcopal Relief and Development Fund and then pass along the total amount collected to the special fund. Such collections should be done through the congregation and recorded on its books. Donations to Discretionary Funds cannot be solicited to be used explicitly for a particular named person’s crisis, i.e., “The house of the John Smith family burned last night and we

are collecting funds. Please make a check out to the Discretionary Fund with the notation 'Smith Family'." The reason this is not appropriate is that if a person gave a check directly to John Smith, it would be a good deed but it would not be tax deductible. This way of collecting funds is considered by the Internal Revenue Service as circumventing the payment of income tax.

Consideration might be given to naming the fund something other than "Discretionary Fund." To be clear about its use, naming a fund in terms of its charitable purpose would be highly desirable. "The Samaritan Fund," or the "St. John's Fund," or a similar name would convey the purpose of the fund. The checks of the fund should bear the name of the cleric administering the fund.

The Manual of Business Methods in Church Affairs 1/1/00, a resource prepared by the National Church and distributed to all congregations of the Diocese states: "Funds received for the discretionary use of the clergy are to be recorded on the books of the congregation and are to be remitted to the clergy at their request. This does not replace proper accounting records for these funds. In some congregations it is not the policy to segregate these funds from the normal records. It is desirable for the clergy to report the use of these funds to the annual meeting of the congregation without identifying the individual recipients. The clergy to avoid possible assessment of the personal income taxes must keep complete accounting records of the funds. These funds are sometimes subject to audit by the Vestry. A separate Federal Identification Number should be obtained for the Discretionary Fund." (See Chapter V of the Manual.)

APPENDIX 6

Resources

Diocesan Staff 410.467.1399
800.443.1399

Missioner for Deployment

Comptroller

Human Resources Coordinator (Benefits)

Church Pension Group 800.223.6602

Church Life Insurance 800.223.6602

Pension Services (Clergy & Lay) 866.802.6333

Medical Trust 800.352.3152

Prudential Insurance Co. of America 800.732.0416

Church & Clergy Tax Guide, Richard P. Hammar; Christian Ministry Resources, Publisher; 704.821.3845

Guide to Human Resources Practices, Church Insurance Companies, New York, 2001, Item #363-2. Order online at www.churchpublishing.org or 800.242.1918

Manual of Business Methods in Church Affairs, The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the USA, New York, 2000. 800.334.7626