

# THE COMPENSATION OF CLERGY

## INFORMATION & GUIDELINES



2024

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# THE COMPENSATION OF CLERGY

## Information and Guidelines

### I. INTRODUCTION

Each year, there are requests for information that would help both clergy and parishes as they seek to determine what is fair and equitable compensation for clergy. In determining clergy compensation, this Manual includes a review of diocesan and national canonical requirements, federal regulations, traditional and generally accepted personnel practices. This Manual may be used as **guidelines** in discussions between vestries and clergy in the Diocese of Southern Virginia. Additional consultation is available from the Director of Finance and Administration at (757) 213-3386 or (800) 582-8292.

### II. CANON ON MINIMUM CLERGY COMPENSATION

Canon XIV, "Of Parishes", Section 1, of the Canons of the Episcopal Church in the Diocese of Southern Virginia, adopted June 10, 1893, as amended 2012, provides that

*A Parish in union with Council shall:*

*(c) Call a rector or priest-in-charge and any additional clergy by maintaining an annually-approved agreement between vestry and clergy which will:*

*(1) Address the issues of clergy compensation and benefits as recommended annually by the Compensation Commission and approved by the Executive Board.*

*(2) Provide a base salary figure not less than the annual Diocesan Minimum Standard as fixed by the Executive Board, which may be adjusted for part-time clergy.*

*(3) Adhere to Canon XXXI, "Of the Denominational Health Plan."*

Canon XIV provides that each year, the Executive Board shall establish an annual minimum standard of compensation for clergy serving in this Diocese. The Compensation Commission's Resolution, like the provisions of those in previous years, sets clergy compensation on the estimated costs for a comparable standard-of-living for this part of the country. In the past, the Executive Board approved a minimum "base salary" and this Manual provided information as to how to determine the other "pension-based" elements of a cleric's compensation. The Manual simplifies this by providing the pension-based total compensation for the clergy.

**The Executive Board has approved a cost-of-living adjustment (COLA) of 3.2% for 2024. See page 3.**

### III. COMPENSATION

#### A. PENSION-BASED TOTAL COMPENSATION

In support of the above Canon calling upon the Executive Board to fix a minimum base salary, these guidelines not only provide such minimum compensation, but also a midpoint and maximum recommended compensation for full-time rectors of the Diocese as set forth in the

table below. It should be noted that the compensation levels offered are all-inclusive (that is, “pension-based compensation”, **which includes base salary or cash stipend plus housing, housing equity and utilities allowances plus Social Security Supplemental Allowance**).

To refine further a recommended minimum that is more reflective of the level of responsibility undertaken by the rector of a given parish, a minimum total compensation has been established for five categories of parishes based on two key measurements: “Pledge and Plate” and “ASA” (average Sunday attendance). To determine which category best defines your parish, you need only to refer to your latest filed Parochial Report for this information (both “pledge & plate” and “average Sunday attendance” numbers are reported on the Parochial Report).

In addition to the minimum compensation amount for each of the five categories, you will find that suggested midpoint and maximum total compensation amounts are provided. These two additional amounts may be viewed as “benchmark” compensations for when the rector has exceeded the minimum compensation amount and goes on to accumulate additional years of service in the parish.

In summary, the below table is designed to help ensure that vestries have a meaningful compensation program in place resulting in:

- The qualified rector (with less or little experience) enters the position being paid no less than the minimum.
- That a rector in the position for a reasonable period of time and meets or exceeds performance expectations is compensated at a midpoint that is “competitive” with the average comparative compensation level offered by peer dioceses, which were identified and considered in developing the table.
- A maximum compensation amount that ensures that a rector who has given years of sustained service is properly recognized for such longevity and commitment to the parish. If there comes a point when said rector does, in fact, exceed the maximum guideline amount, the vestry will most likely continue to offer a COLA adjustment along with the discretion to provide a merit/or one-time bonus payment.
- Finally, and philosophically speaking, the total percentage increase given each year to any rector would normally include the COLA along with a merit increase based on results to pre-determined performance goals established at the start of the year. The percentage of the overall increase should be based on two factors (in addition to COLA): actual performance results *and* the relative position of the rector’s current compensation to the midpoint. Qualitatively speaking, “one accelerates to the midpoint and decelerates to the maximum,” (i.e. reaching the midpoint within 3-5 years and correspondingly, reaching the maximum within 7-9 years – based on an overall average of 12 years to go from minimum to maximum). Therefore, if the rector is presently compensated below the midpoint and is performing well, he or she should reach the midpoint compensation level within 3-5 years of employment. At that point the rector would be fairly compensated at a “market-based” level. And after reaching that midpoint, the rector should continue to receive at a minimum the COLA along with a possible but most likely lesser merit

percent increase in comparison to merit increases given in his or her earlier years in the position when he/ she was below the midpoint. The logic for a lesser merit increase at this point comes about in recognition that the rector is now compensated at a competitive rate while still giving some recognition to exceptional results in the form of a merit increase - or possibility of a bonus (which is not added to the base) if the rector currently exceeds the maximum compensation level.

It is suggested that if a parish finds that it falls between two categories it is logical to consider moving up to the next higher category, especially if there are other sizable responsibilities assigned to the rector that would not be reflected in the two measurements used in the table – Pledge and Plate and ASA.

Since this table represents recommended compensation amounts for full-time rectors, it will rest with the vestry and rector to determine what the compensation should be for their staff clergy. It is recommended as a starting point that a percentage (say 60-80% or as offered by a sister diocese: 65% for a curate, 70% for an assistant, and 75% for an associate) of the full-time compensation for the rector be applied to determine a relative pension-based compensation level for the staff position. But ultimately, it should be based on assigned responsibilities. By using a differential percentage, one hopes to avoid what is called “compression” between compensation levels – that is, where the staff clergy compensation amount is inappropriately too close to that of the rector’s compensation. Finally, recognizing that the table provides compensation levels for a full-time rector, if the parish employs less than a full-time rector, the compensation amount should be pro-rated.

**The Executive Board has approved a COLA increase of 3.2% for 2024.**

**PENSION-BASED TOTAL COMPENSATION TABLE**

<b>Categories</b>	<b>Pledge &amp; Plate</b>	<b>ASA</b>	<b>minimum</b>	<b>mid</b>	<b>maximum</b>
Resource	\$850,000 and above	350-1000	\$ 118,093	\$ 147,617	\$ 177,141
Program	\$400,000 - \$849,999	200-350	\$ 98,808	\$ 123,509	\$ 148,212
Transitional	\$250,000 - \$399,999	125-200	\$ 90,424	\$ 113,032	\$ 135,640
Pastoral	\$125,000 - \$249,999	75-125	\$ 77,491	\$ 96,864	\$ 116,234
Family	\$124,999 and below	1-75	\$ 47,674	\$ 59,592	\$ 71,507

Note: The above Table includes a 30% Housing Allowance and the Social Security Supplement. If rent-free housing (e.g., a rectory) is provided to the clergy, the Total Compensation should be reduced by 20%.

**B. PENSION-BASED ELEMENTS OF TOTAL COMPENSATION**

**The above PENSION-BASED TOTAL COMPENSATION TABLE includes the following elements:**

## 1. HOUSING

As part of the priest's compensation package, the parish may provide a housing allowance or rent-free housing (i.e., a rectory).

### a. Housing Allowance

If rent-free housing is not provided, a housing allowance should be provided. The housing allowance is typically thirty percent (30%) of **base salary**. The rationale for providing a housing allowance is that the **base salary** amount reflects that a few parishes provide rent-free housing for their rector. If rent-free housing is not provided, then base salary needs to be increased by a housing allowance to reflect that the clergy will be paying his/ her housing costs.

### b. Housing Equity Allowance

If rent-free housing is provided, the Compensation Commission encourages parishes to consider paying the cleric a housing equity allowance. There are reasons why clergy may want to own their homes, including the ability to realize appreciation in value, owning a home at retirement and the tax benefits afforded through home ownership. Parishes are requested to consider depositing annually in a tax-deferred annuity or other savings account in the cleric's name an amount that equals 5% of the cleric's **base salary**.

### c. Housing Allocation

Section 107 of the Internal Revenue Code provides that a member of the clergy may exclude from taxable income an amount based on whether the cleric owns or is provided housing. If the cleric owns his home, the amount may not exceed the cleric's actual housing expenses OR the fair rental value of the home (including utilities and furnishings). If the cleric rents a home, the amount may not exceed the rent, furnishings, utilities, insurance and maintenance.

In order for the cleric to exclude such from taxable income, the vestry must adopt annually a resolution setting the housing allowance for the following year. This amount, which the cleric may request, should be based on whether housing is provided in kind, or a housing allowance is paid. The amount may not exceed the fair rental value of the home plus utilities and other expenses. The housing allowance set forth in the resolution is the amount the cleric can exclude from taxable income on the cleric's income tax return.

*“BE IT RESOLVED that \$ \_\_\_\_\_ of the [year] salary of The Rev. \_\_\_\_\_ be designated as supplemental housing allowance and that this amount remain in effect for future years unless changed by a subsequent resolution.”*

This resolution must be passed prior to the taxable year when the housing amount is excluded. The IRS will not allow section 107 exclusion if the

resolution is passed retroactively.

## 2. UTILITIES ALLOWANCE

Whether rent-free housing is provided, or a housing allowance is paid, the cleric's compensation may include reimbursement for the actual costs for electricity, heating and basic telephone, or a cash allowance equivalent to the estimated costs of such. Utilities include electricity, natural gas, heating oil, water, sewage, and garbage collection.

## 3. U.S. SOCIAL SECURITY SUPPLEMENTAL ALLOWANCE

For U.S. Social Security purposes, clergy are considered self-employed. Accordingly, the parish, as employer, should not pay any Social Security and Medicare taxes on wages paid to the clergy. As is true with all self-employed individuals, clergy pay SECA tax (self-employment Social Security and Medicare taxes). The rate at which clergy pay the SECA tax is 15.30%. The parish may provide an allowance for the Social Security and Medicare tax for all clergy. If the parish pays this allowance, the Social Security and Medicare supplement is determined as follows: **base salary plus the housing allowance times 7.65%** (half of the SECA tax). This allowance is considered taxable income and is reported in gross wages.

## IV. RETIREMENT BENEFITS

At the cleric's retirement, the Church Pension Fund pays the retired cleric an annuity based on contributions paid by the parish. Ordained persons are eligible to participate in the Church Pension Plan after ordination to the diaconate. Non-stipendiary deacons and individuals ordained on or after age 67 are not eligible.

To fund the cleric's retirement annuity, the Canons of the Episcopal Church require every Church unit employing clergy to pay an assessment based on that individual's compensation.

*Title I, Canon 8, Section 3; Parishes, missions, and some other organizations must pay the Church Pension Fund assessments on salaries and other compensation of the clergy.*

This applies to full-time, part-time, and interim clergy who are regularly employed and compensated for at least five consecutive months by the same employer.

The assessment rate for the pension is 18% of total assessable compensation. In determining the pension assessment, total assessable compensation consists of:

- (a) **Salary**, which is the sum of base salary plus bonuses, **but does not include** allowances for approved business expenses; plus,
- (b) **Housing allowance**, defined to mean 30% of base salary, regardless of whether a housing allowance is paid; plus,
- (c) **Utilities allowance**, defined to mean the allowance paid to cover the cost of utility bills



or, if an allowance is not paid, an approximation of the annual amount of utility bills if paid for by the parish; plus,

**(d) Social Security supplemental allowance**, if paid, as determined above.

## **V. MEDICAL, LIFE, AND DISABILITY INSURANCE**

### **A. Medical Insurance**

Premiums for health insurance for the clergy are paid by the parish. Eligibility provisions for participation in any of the health insurance plans offered by the Diocese include employees of the diocese, parish, or other organization affiliated with the Diocese of Southern Virginia who are scheduled to work a minimum of 1,500 hours annually, and who must enroll during the first 30 days of employment. If enrollment occurs after 30 days, a health statement must be submitted, and approval of enrollment must be granted by the plan. Another enrollment option is for the clergy to enroll in the annual enrollment period, which occurs during October/November each year, with coverage effective the following January. Clergy serving 1,000 hours or more annually in parishes are eligible for coverage.

A retired cleric canonically resident in the Diocese of Southern Virginia who is no longer engaged in parochial ministry may be covered by the Group Medicare Advantage Plan as long as such person remains canonically resident.

The spouse and unmarried dependent children under 30 years of age also may be covered under the plan and the parish may agree to pay the premiums for employee plus one (spouse or child) or employee plus family.

There is no coverage for either the cleric or the dependents when traveling outside the United States. Temporary travel policies are available from insurers and should be purchased when travel is planned for outside the United States.

The Diocese Health Plan (DHP) offers coverage through the Episcopal Medical Trust. Further information about various policies (The Dependent Children's Extension Plan, eligibility in the case of divorce, coverage upon retirement, coverage for surviving spouses, coverage for clergy between positions, etc.) is available by contacting the Diocese.

Clergy should be aware that if they choose to have coverage under a different plan, such as the plan of a spouse or a less expensive plan suggested by the congregation, reentering the Church Insurance Plan will require submission of a health statement and approval by Church Insurance. Otherwise, one will have to wait until Annual Enrollment in the fall with coverage taking effect January 1 of the following year.

### **B. Life Insurance**

The Church Pension Fund provides all active clergy enrolled in the Pension Plan with \$150,000 insurance on their life at no additional cost. The parish pays the premium for an additional \$40,000 of life insurance through a **Group Life** plan offered through the Diocese.

## C. Disability Insurance

### 1. Short-Term Disability Insurance

The Church Pension Group offers a short-term disability insurance plan for clergy that provides for payments to a disabled employee during the time of his or her disability after 14 days of disability and for up to 24 weeks. This benefit is offered to all clergy enrolled in the Pension Plan and is paid for by the Church Pension Group.

### 2. Long-Term Disability Insurance

The Church Pension Group offers a long-term disability insurance plan to clergy enrolled in the Pension Plan. The plan provides disability benefits for clergy who are disabled for more than 26 weeks up until the person is able to work again or until age 65 – and longer in certain cases. This benefit is offered at 70% of projected retirement benefit. There is an additional long-term disability benefit available to all employees.

More information about the cost of Long-term Disability, Long Term Care, Group Life, and other insurance options is available from the Church Pension Group (1-800-480-9967). When disability is long-term, an individual would have recourse to the disability retirement provisions available through the cleric's participation in the Church Pension Fund, as well as U.S. Social Security.

## VI. REIMBURSABLE BUSINESS EXPENSES

The parish should reimburse its clergy for business expenses incurred on behalf of the parish during the discharge of church responsibilities. Reimbursements for **substantiated** expenses (i.e., providing receipts for reimbursable expenses) are not considered part of compensation. Rather, it is the cost to the parish for ordained ministry carrying on the parish's business. Clergy and parishes need to be aware of the strict regulations the Internal Revenue Service have regarding expense reimbursement. The Internal Revenue Code provides that any business expenses paid directly by the parish or reimbursed, **based on receipts**, are not included in the cleric's gross wages. However, if the parish pays an allowance or does not reimburse based on receipts, the payment is included in gross wages and reportable on the cleric's Form W-2. Depending on the cleric's tax situation, if the parish pays an allowance or the cleric does not provide receipts and thus, the payments are included in the cleric's gross wages, the cleric may be able to deduct a portion of such amounts on his tax return. Therefore, if the cleric does not account (by providing receipts) for expenses incurred, the amounts paid must be treated as "compensation" and reported on Form W-2 and on Form 941 and be subject to income tax withholding. In summary, if a parish reimburses documented legitimate business expenses, there is no tax implication to the cleric since the business expense reimbursement is not included in the cleric's taxable income.

### A. Automobile Expense

Automobile expenses can be handled in one of three ways, depending on whether the parish owns or leases the vehicle or whether the cleric owns or leases the vehicle:

1. If the cleric owns the vehicle, the parish should reimburse for business use according to the standard mileage rate of the Internal Revenue Service. The Internal

Revenue Service publishes this rate, and it is available on their website. A trip log should be maintained by the cleric, including the date, origin and destination, purpose, and mileage of each trip. From that log, the cleric needs to transcribe the business mileage and submit to the parish a request for reimbursement (excluding commuting mileage). Tolls and parking fees are reimbursable. It is appropriate for the cleric to submit the reimbursement request monthly. When the request for reimbursement is submitted to the parish, it should be kept on file. This provides protection for the cleric as proof that the money paid is reimbursement for actual expenses rather than compensation.

2. If the parish owns or leases the vehicle, personal use should be determined using a mileage basis and the cleric should reimburse the parish based on the IRS-published standard mileage rate. Alternatively, while not recommended by the Compensation Commission, the parish can pay an annual allowance in monthly installments equal to an estimated number of miles driven for church purposes using the IRS-published standard mileage rate. The Commission **does not recommend this option**. The total amount of the allowance must be added to the cleric's income for federal income and Social Security tax purposes. To avoid paying income taxes on the allowance, the cleric then must determine the miles driven for business and deduct this business expense on Schedule A. In order to take a deduction on Schedule A for "employee business expenses," the business expense must be greater than 2% of the cleric's adjusted gross income.

## **B. Entertainment**

Any congregation that expects its clergy to entertain on behalf of the church should reimburse reasonable costs as ordinary business expenses. Receipts should be required before any reimbursement is paid. Expense accounting should be according to Internal Revenue Service rules, which require the date, location, names of the guests, the amounts paid, and the business purpose.

## **C. Professional Education and Sabbaticals**

Continuing or professional education is considered a business expense. Parishes are encouraged to allow up to two weeks with pay for professional education. An allowance of \$650 for such is recommended. Clergy also may apply for professional education funds from the Diocese for Clergy Continuing Education. Guidelines and applications are available from the Diocese.

The Diocese supports sabbatical leaves for study and renewal. A sabbatical is time away from work responsibilities to fulfill a vestry-approved plan for personal growth, renewal, and reflection. A sabbatical is not a vacation, and the program of development should be of value not only to the member of the clergy, but also to the parish as well. The clergy should be expected to return to the parish for a minimum of one year following the completion of the sabbatical. The Compensation Commission does not support "terminal sabbaticals."

The Compensation Commission recommends that if a sabbatical is approved by the parish, the sabbatical should not be less than four weeks nor more than three months. A sabbatical

should not be granted until the cleric has served at least 5 years and has submitted a plan of study, which must be approved by the vestry.

The time allowed for a sabbatical is generally based on the accumulation of two weeks sabbatical for every year of service in the current position. Full compensation and benefits are continued during a sabbatical. Parishes are advised to plan ahead by setting aside funds to pay for supply clergy during the sabbatical.

#### **D. Other Business Expenses**

Other common business expenses include the purchase of books, professional journals, vestments, the cleaning of vestments, professional education expenses, and attending meetings, such as clergy conferences. If the parish does not reimburse these expenses, these expenses may be claimed by the cleric as deductions on the cleric's tax return.

### **VII. PROVISIONS FOR LEAVE OF ABSENCE**

#### **A. Holidays and Days Off**

All clergy should have regularly scheduled time away from work during the week. Since the clergy must work Sundays, the Compensation Commission recommends that clergy should be off Friday and Saturday, or Saturday and Sunday, or as agreed by the vestry. Clergy should not be expected to work on National holidays unless worship services are held on that day.

#### **B. Vacations**

Clergy are normally granted one month of vacation after one full year of employment. During the first calendar year, the parish may agree to allow vacation on a prorated basis.

#### **C. Absence for Illness and Injury**

For short-term illness, clergy are not expected to work when unable to fulfill their responsibilities due to such illness or injury. The Compensation Commission recommends that clergy be maintained on absence for illness or injury with full compensation during the first thirteen consecutive weeks of prolonged illness. After thirteen weeks, salary payments may then be discontinued, except that if the cleric is eligible to receive disability benefits prior to the end of this thirteen-week period, salary payments would cease.

#### **D. Leave for the Birth or Adoption of a Child**

Most parishes do not have a stated policy concerning the birth or adoption of a child. The following policies are offered for consideration.

##### **1. Maternity Leave**

A full-time cleric who has served in the parish for one full year is entitled to maternity leave for the birth of a child for up to six weeks with pay. Six additional weeks may be taken without pay.

**2. Paternity Leave**

A full-time cleric who has served in the parish for one full year is entitled to paternity leave for the birth of a child for up to one week with pay.

**3. Adoption Leave**

A full-time cleric who has served in the parish for one full year is entitled to leave for the adoption of a child for up to four weeks with pay. Four additional weeks may be taken without pay.

**E. Bereavement**

Parishes need to recognize the occasional need for its clergy to be away from the parish in the event of the death of a member of the cleric's immediate family. (Immediate family is defined as a parent, spouse, spouse's parent, child, spouse's child by a former marriage, brother, sister, or other relative living in the same household.) This time should be considered as emergency personal leave rather than vacation. Compensation should continue during this time.

**F. Jury Duty**

Jury duty is a responsibility of citizens that should be honored. Full compensation and benefits should be continued during any period of jury duty.

**G. Military Service**

It is recommended that parishes make provision for clergy who serve in the United States military or the state militia to take the necessary time off without pay to fulfill this obligation.

**VIII. OTHER FINANCIAL CONSIDERATIONS**

**A. Moving Expenses**

When a parish issues a call to a cleric, his or her reasonable moving expenses should be paid by the parish. Unfortunately, moving expenses are no longer tax deductible. The moving expenses paid by a parish must be included in the rector's W-2 at the end of the year.

**B. Malpractice Insurance**

In this era of litigation, vestries may wish to consider purchasing malpractice insurance (i.e., Sexual Misconduct, Counseling, etc.) for the clergy. Additionally, director's (D&O) insurance for the members of vestries may be a prudent investment to consider.

**C. Cost for Supply Clergy**

It is the responsibility of the parish to pay the cost of supply clergy for those services when the cleric is away from his or her duties due to vacation, professional education leave, or absence due to illness or injury. Therefore, vestries should make provisions in their annual budget for these costs. See IX. B., below, for the recommended compensation schedule.

#### **D. Clergy Discretionary Funds**

The Episcopal Church has developed guidelines, and the Diocese of Southern Virginia has provided guidelines in its Canons, for the benefit of clergy, dioceses, congregations, institutions, and others with authority over funds of the Church. The purpose of these guidelines is to provide information and guidance in the maintenance and use of a class of restricted funds generally known as “clergy discretionary funds.”

The existence and use of clergy discretionary funds rests on the canonical authority described in Title III, Canon 9, Section 6(b)(6), of the Canons of the Episcopal Church:

*"The Alms and Contributions, not otherwise specifically designated, at the Administration of the Holy Communion on one Sunday in each calendar month, and other offerings for the poor, shall be deposited with the Rector or Priest-in-Charge or with such Church officer as the Rector or Priest-in-Charge shall appoint to be applied to such pious and charitable uses as the Rector or Priest-in-Charge shall determine. When a Parish is without a Rector or Priest-in-Charge, the Vestry shall designate a member of the Parish to fulfill this function."*

These funds, generally known as “clergy discretionary funds,” have a long history of customary use in the Episcopal Church. The member of the clergy in charge of a parish or mission customarily has a special fund made available by the vestry, the expenditure of which is under the authority of the cleric. Assistant clergy, depending on local custom, also may be granted permission to expend monies from the discretionary fund by the member of the clergy in charge of the parish or mission, or the vestry may establish separate funds for the use of the assistant clergy.

The Canon referenced above is generally interpreted to mean that at a minimum of one Sunday a month, loose offering at the Holy Eucharist is deposited by the church treasurer as a credit to the clergy discretionary fund. A congregation may wish to set aside a budgeted amount for the discretionary fund in addition to the traditional source or as a substitute for it. Some congregations as a matter of policy deposit all fees or gifts received for weddings, funerals, and baptisms into the discretionary fund. Individuals also may contribute to the fund with occasional gifts.

Clergy discretionary funds belong to the church; and therefore, all receipts and disbursements, along with the resulting fund balance, are recorded appropriately on the church's books. Disbursements from the fund are by check drawn by the church treasurer upon written request of the authorized member of the clergy.

Some vestries may want to permit the use of a separate bank checking account for the discretionary fund. Under these circumstances, all fees and gifts from "any source" to the fund must be deposited and recorded in the books of the church, and subsequently transferred by the treasurer to the separate checking account. No monies "from any source" may be deposited directly into the separate checking account. The mingling of personal

funds of any kind with discretionary funds is always improper. All checking accounts for clergy discretionary funds must be approved by the vestry and be opened using the church's tax identification number. The bank accounts must be in the name of the church and not that of the individual member of the clergy.

Clergy who have been authorized to maintain and manage a separate checking account must record in writing, with appropriate receipts attached, the purpose of every check drawn on the account. Further, the cleric must submit the monthly bank statement of the account to the church treasurer. The treasurer will verify that all deposits made into the account correspond to disbursements from the church to the separate checking account. The treasurer will so state in writing in the monthly statement that such verification was made, and file the bank statements with the other financial records of the parish.

The traditional uses of clergy discretionary funds are to relieve the poor of the parish and the larger parish community. Payments for food, rent, utilities, medical bills, and the like for persons in need are always appropriate uses of the funds.

If an amount is not budgeted for the cleric's business expenses, clergy also may use the fund for expenses related to the exercise of ministry not otherwise provided in the church budget, **provided such an understanding is agreed to in general by the vestry.** Attendance at conferences, purchase of books and journals, entertainment of individuals directly related to the church's ministry, and membership in groups that are related to the exercise of ministry are examples of appropriate discretionary use in these circumstances. However, discretionary funds should not be used to sustain the ongoing operations of the church.

Purchase of personal items with discretionary funds for the use of the authorized clergy is prohibited. Likewise, discretionary funds may not be used to pay for anything which personally benefits the authorized clergy or his/ her family. Therefore, personal clothing, food, books or vestments, rent, utilities, insurance premiums or medical expenses of the cleric are inappropriate expenditures by or through discretionary fund accounts. Moreover, any items purchased with discretionary funds belong to and remain the property of the church.

When discretionary funds are used to provide a gift to a particular individual, such use may be a legitimate function of the fund. Special provisions of the Internal Revenue Code apply if the individual is an employee of the church. In any case, care must be taken to advise donors that contributions made to the church for the benefit of a named individual are not deductible contributions for income tax purposes.

All clergy discretionary funds are classified as restricted funds of the church. As a fund of the church, clergy discretionary funds are subject to audit, even if the fund has a separate checking account. However, the member of the clergy may be permitted to maintain confidentiality over the expenditures of the fund disbursed for the direct assistance of named individuals. The manner in which this is done must be determined and agreed to jointly by the member of the clergy and the vestry.

The discretionary fund of a departing rector or bishop must be immediately received and

audited.

The member of the clergy responsible for discretionary funds must follow the record-keeping methods detailed in "The Manual of Business Methods in Church Affairs." These methods are designed to provide trustworthy accounting and stewardship of church funds, as well as to protect responsible persons from suspicion and mistrust. Clear records of deposits into the fund and expenditures from it are essential to this process.

Clergy discretionary funds are used for the benefit of the church and, therefore, are not subject to income tax. However, when members of the clergy improperly use discretionary funds for personal use, they will be subject to income tax and the cleric may be exposed to civil and/or criminal liabilities.

Gifts to clergy discretionary funds are deductible contributions to the donors when the gift is clearly given to the church for purposes established for the fund. Donations given for the benefit of named individuals are **not** tax-deductible contributions.

## **IX. MISCELLANEOUS MATTERS**

### **A. Assisting Bishops**

If the diocesan Bishop or an Assisting Bishop performs any services for the parish, the parish should remit to the Diocese the plate offering for that service or an agreed upon amount.

### **B. Congregations in Transition or Using Long-Term Supply Clergy**

It is the explicit desire of the Diocese that parishes, missions, and mission stations to be served by clergy called by the congregation or assigned by the Bishop. There may be exceptional occasions where such is not the case, and that other clergy may be asked by the congregation to supply specific (or in some cases general) liturgical or pastoral services. Supply clergy covering in transitional times or for a longer time-period are to be appropriately compensated and are not to be seen or understood as a replacement for called or assigned clergy.

Churches should remember their obligations to care for the sick and imprisoned, especially for those gravely ill, those preparing for surgery or suffering from sudden serious accidents, as well as those in special need of pastoral care or spiritual assistance; and to provide the Sacrament on a regular basis to those unable to attend worship services. Clergy might want to consider some supply at a church where they have official connections as voluntary (*gratis*), just as clergy expect church members to perform voluntary work for the church.

For some events such as funerals or weddings, the clergyperson may receive a gift or a donation to the discretionary fund from the family, which would appropriately be in addition to the church's compensation given the priest. If a church asks for additional services of the clergy, such as adult forum, hospital visitations, and so on, please consider that with a \$93,860 median compensation (for full-time clergy of churches with less than 125 Average



Sunday Attendance in the Diocese), an appropriate minimum hourly rate would be \$45.13. To further assist, to follow are suggested fees for various pastoral and liturgical services:

- Pastoral Visit, \$60
- Extended Pastoral Visit, \$120 (over 3 hours, including travel time)
- Funeral, (including family visit and planning, officiating and preaching), \$210
- Wedding, (including planning, officiating, and preaching), \$210. (If includes pre-marital counseling, \$360)

These are intended to be minimum guidelines, though clergypersons may agree to receive a lesser amount. Conversely, the church may wish to offer more than the minimum suggested amount if extensive requirements are involved such as travel time or more complex requirements in the performance of a liturgical service.

It is the responsibility of the church to compensate the clergyperson at the conclusion of the event or time period, or no later than one week after completion of the visit or service. For continuing, long-term supply situations monthly payments may be appropriate.

Besides the fees suggested above, supply clergy are to be reimbursed for all reasonable costs related to the services provided and may include: meals, lodging, telephone, and travel at the current IRS-published business mileage rate.

### **C. Occasional Supply Clergy**

As noted above, it is the responsibility of the parish to pay the cost of supply clergy for services when the Rector/Vicar/Priest-in-Charge is away from his or her duties due to vacation, continuing education, illness, or injury. A schedule of recommended minimum fees for occasional supply clergy services is as follows:

- Midweek Service, \$120
- One Sunday Service with Sermon, \$180
- Two Sunday Services with Sermon, \$240
- Three Sunday Services with Sermon, \$300

Besides the fee(s) suggested immediately above, supply clergy should be reimbursed by the church for all reasonable costs related to services rendered and may include: meals, lodging, telephone, and travel at the current IRS-published business mileage rate.

In addition, the above hourly rate (see Subsection B above) should be added for supply clergy performing additional services on the same day and general time of their primary engagement for the performance of other assigned duties or services such as leading a Christian formation class or forum (recognizing for compensation purposes directly related preparation time). It is the responsibility of the church to compensate the clergyperson at the conclusion of such engagement and in no instance later than one week hence.

A regularly updated listing of clergy available for supply is available from the diocesan office.

#### **D. Clergy Employed on a Part-time Basis**

If the cleric is employed part-time, the parish should determine his compensation based on the number of days per week the priest is to work. The number of days per week the cleric is to work is to be divided by 5 days to determine a percentage. This percentage then is used to multiply the Pension-based Total Compensation mid-point salary under the applicable Pension-Based Compensation Table based on the size of the parish [see paragraph III, above].

For example, if a priest is employed to work 3 days per week, 3 days divided by 5 (work) days per week is 60%. Sixty percent of \$57,744 (for the Family size parish) is \$34,646, the amount the priest should be paid if employed 3 days per week for a full year. If the priest is employed for only part of a year, the Pension-based Total Compensation salary is prorated for that year.

If because of age or retirement, contributions cannot be paid into the Church Pension Fund, the parish ought to consider paying this amount as additional compensation or contributing an amount to the priest's Individual Retirement Account.

#### **X. CLERGY SALARY REVIEW**

##### **Introductory Note**

Without doubt, salary reviews are likely to be the most sensitive of all issues involved in this packet procedure. Formal Accountability or Performance Evaluation is something most clergy are not accustomed to. Loren Mead of the Alban Institute summed it up this way: "Evaluation of clergy performance is an enormously complicated task, involving as it does four areas, each of which includes almost infinite variables – the person being evaluated, the task being evaluated, the performance being evaluated, and the context within which the evaluated action takes place. Two basic kinds of evaluation are currently in use in the Churches – evaluation owned by and serving the interests of the Church as an institution and evaluation owned by and serving the interests of the professional clergy (for continued education, etc.). Both have uses; both have limitations. Neither is likely to approach anything like precision in evaluation. **On the other hand, if evaluation is seen as a tool of ministry rather than as an end in itself, it can be a significant resource to help lay people and clergy grow in their commitment to and effectiveness in ministry.**" It is often not possible that both can be accomplished in one process, but it is at least clear that the intent of this section is tilted toward the first – the institution. While a valid and responsible decision needs to be made by a small committee, this process also has the following hopes:

That the process will affirm strength as well as identify weakness in an atmosphere of support and acceptance.

That the process will open and enhance communication lines between the clergy and the vestry.

That specific **feedback** can be given to support the negative components, rather than

just opinion.

### **A Suggested Procedure**

1. A performance review might be made by a committee of three-to-five persons elected by the vestry. [In Mission Churches, the Department of Mission must be involved.] Included in the review is whether a "merit raise" above any cost-of-living adjustment, which might otherwise take place, should be recommended.
2. The committee should have an informal discussion with the cleric prior to their formal meeting. The primary purpose of the discussion is to allow the cleric to bring up items that he wishes the committee to consider.
3. Among the factors the review committee might take into consideration are the following:
  - a. Merit Considerations
    - (1) Length of time in ministry – recommend that increases be given for increasing experience, particularly during the first 8 - 10 years.
    - (2) Length of time in parish – recommend that increases be given for increasing experience, particularly during the first 3 - 5 years.
    - (3) Church attendance – this must be considered in relation to the size of the parish, the kind of community, etc.
    - (4) Growth (or shrinking) of parish – to be considered in relation to community growth and change.
    - (5) Quality of worship.
    - (6) Quality of preaching.
    - (7) Administration of viable parish program.
    - (8) Effectiveness of pastoral ministry.
    - (9) Involvement in diocesan or community affairs.
    - (10) After the first year, evaluation of performance should be related to mutually agreed upon goals and responsibility as outlined at the beginning of the year.

Note: An honest sharing of the committee findings and decisions should be made with the cleric.

b. Range Adjustment

Any recommended increase for merit should be added to that set forth in the annually adjusted Diocesan salary ranges.