

THE STANDING COMMISSION ON CLERGY COMPENSATION

SECTION 1 – Resolutions

RESOLUTION I – Minimum Salary Rates: (adopted)

RESOLVED, that the 131st Convention of the Diocese of Newark adopts the following minimum salary rates, effective January 1, 2006:

Minimum Salaries

Transitional Deacon \$27,000

Assisting Priest 28,800

Priest-in-charge 36,000

Supporting Information:

The Diocese of Newark has adopted a system of salary administration for clergy that includes minimum salary levels for all full-time clergy serving parishes or missions in the Diocese. Each year, the Commission reviews the salary levels and makes recommendations to Convention for changes, if any, that seem appropriate. A history of the last ten years follows:

	Deacon *	Assisting Priest	Priest-in-charge
Effective 1/1/1996	20,330	21,650	27,100
Effective 1/1/1997	20,840	22,190	27,780
Effective 1/1/1998	21,470	22,850	28,600
Effective 1/1/1999	22,000	23,450	29,300
Effective 1/1/2000	22,550	24,040	30,040
Effective 1/1/2001	23,000	24,550	30,650
Effective 1/1/2002	23,700	25,300	31,600
Effective 1/1/2003	24,650	26,300	32,850
Effective 1/1/2004	25,400	27,100	33,850
Effective 1/1/2005	26,200	27,950	34,900
Proposed 1/1/2006	27,000	28,800	36,000

*All references to Deacon in this report are to Transitional Deacon not Vocational Deacon.

The Commission has reviewed economic and inflation projections for the next few years. In addition, the Commission compared compensation ranges in the Diocese of Newark with those of our neighboring dioceses of Connecticut, Pennsylvania, Long Island, New Jersey and New York. While inflation is expected to be quite low in the next couple of years, median compensation in our diocese lags the median in nearby dioceses. These analyses have led to the recommendation of approximately a 3.0% increase.

RESOLUTION II – Annual Merit Increases: (adopted)

RESOLVED, that the 131st Convention of the Diocese of Newark recommends the following scale, effective January 1, 2006, for annual merit increases in salaries paid to clergy in the Diocese:

<u>Merit Increase Scale</u>	
Outstanding	5.0%
Very Good	4.0%
Satisfactory	3.0%

Supporting Information:

For clergy continuing to serve the same congregation, this Diocese recommends an **annual review of goals and performance** for clergy, congregations, vestries, and executive committees. Clergy salary should be increased on merit based on this review in accordance with the merit increase scale. The Commission recommends that a true **merit** increase would exceed the rate of inflation, reflecting the notion that the meritorious performer should be recognized and not merely “kept even” with the economy. Furthermore, the Commission recommends that the diocese consider the impact of the continuing differential in compensation medians on the clergy of the Diocese of Newark, and the need to address compensation as one means to retain our best clergy.

RESOLUTION III – Supply Clergy Remuneration: (adopted)

RESOLVED, that the 131st Convention of the Diocese of Newark establishes a minimum standard for remuneration to supply clergy at a fixed rate per worship service plus the IRS-approved mileage rate for travel to and from the church. For 2005, the IRS-approved rate is 40.5 cents per mile. Remuneration standards shall be as follows:

Sunday services: \$125 for one service plus \$50 for each additional service

Weekday service: \$50 per service, without sermon.

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

Supporting Information:

The recommended remuneration for supply clergy was increased five years ago after remaining unchanged for the previous five years. No salary increase is recommended for 2006. Importantly, this remuneration can be eligible for the clergy housing allowance exclusion. The diocese can supply sample language for such a resolution, which must be passed by the vestry (or executive committee) prior to the payment for services.

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

RESOLUTION IV – Continuing Education Allowance: (adopted)

RESOLVED, that the 131st Convention of the Diocese of Newark mandates each congregation provide a minimum annual allowance for continuing education of \$500 for each full-time cleric and a proportionate amount for those employed on a part-time basis.

Supporting Information:

The diocese has long recommended that congregations assist their clergy in finding and affording continuing education opportunities. The recommended minimum allowance was raised four years ago to \$500 and remains unchanged for 2006.

RESOLUTION V – Reimbursable Business Expenses: (adopted)

RESOLVED, that the 131st Convention of the Diocese of Newark mandates \$4,000 as the minimum for reimbursable business expenses for full-time clergy serving parishes or missions in the Diocese. All expenses should be items deductible under Internal Revenue Code Section 162 and it is mandated that the expenses be administered under an accountable plan. Examples of expenses include automobile, entertainment, books and periodicals, religious supplies and materials, and dues and conferences for professional organizations.

Supporting Information:

The amount suggested by Convention for business expenses was raised five years ago from \$3,500, where it had been since 1983, to \$4,000. The Commission does not recommend an additional increase this year.

Beginning in 1989 the Internal Revenue Service put restrictions on the deductibility of business expenses. All business expenses should be paid to the clergyperson through an accountable plan. This plan must be in writing. It must require the clergyperson to substantiate his or her business expenses. It must require that any amount in excess of the substantiated expenses covered by this arrangement be returned. If the plan conforms to all of the above, the reimbursed funds do not have to be included on the clergyperson's W-2 and, and, therefore, never have to appear on his or her tax return.

This recommendation is for a minimum expense allowance. Depending on the geography of the parish/mission which is served and the travel and other expense requirements of the individual, a higher allowance may be warranted.

RESOLUTION VI – Social Security Offset: (adopted)

Resolved, that the 131st Convention of the Diocese of Newark mandates reimbursement to clergy for 50% of the social security the clergy person must pay to the Internal Revenue Service on compensation, housing, utilities and social security offset. The Church should reimburse for the actual amount due or in the alternative fifty percent of self-employed social security rate times the sum of compensation, housing and utilities.

Supporting Information:

The Diocese of Newark through the Standing Commission on Clergy Compensation has long suggested that the church reimburse its clergy for fifty percent of the social security due. Members of the clergy are treated as self employed for social security purposes. This tax must be paid on the compensation, housing allowance, utilities plus the amount of the social security offset. This becomes a complicated computation (see Page 7 of our report). In order to avoid the complicated transaction the alternative above can be used.

SECTION 2 – SUMMARY OF CLERGY COMPENSATION POLICIES

Full Time Clergy – Including Full Time Interim Clergy

Benefit	Convention Action	Rector or Priest-in-charge	Assisting Priest	Deacon
Cash Stipend	Mandated – Minimum amounts	2004 - \$33,850 2005 - \$34,900 2006 - \$36,000	2004 - \$27,100 2005 - \$27,950 2006 - \$28,800	2004 - \$25,400 2005 - \$26,200 2006 - \$27,000
Housing & Utilities	Mandated	Housing and utilities supplied or appropriate cash allowance provided.		
Social Security Offset	Mandated	50% of estimated Self-Employment (SECA) tax. Refer to example for calculation.		
Pension	Mandated	Assessment of 18% of Total Compensation (Cash plus Housing and Utilities plus Social Security Offset plus Equity Allowance). Paid quarterly to Church Pension Fund.		
Business Expenses	Mandated (01/2005)	\$4,000 minimum for reimbursement of allowable business expenses, including business use of personal car, administered through an accountable plan.		
Health Insurance	Mandated	Clergy choice from available plans. Rates vary by plan choice and coverage level.		
Dental Insurance	Mandated	Rate varies by coverage level.		
Life Insurance	Mandated	Provided as part of pension package. The amount is 2 times Total Compensation, with a minimum of \$5,000 and a maximum of \$50,000.		
Parental Leave	Mandated	Paid leave available to new parent; 8 weeks with pay if parent is primary care-giver; two weeks with pay for non-primary care-giver; additional leave available.		
Disability Insurance	Provided by the Church Pension Fund	Long Term disability insurance has been provided by the Church Pension Fund. Starting January 2004 short term disability insurance is also being provided.		
Vacation	Recommended	Negotiable. Amount should be agreed upon in advance.		
Continuing Education	Mandated (01/2005)	Minimum \$500 annually.		
Housing Equity	Recommended	5 – 10% of Total Compensation as tax-deferred set aside if cleric lives in church-owned housing.		
Sabbatical	Recommended	Cleric Eligible for 3-month sabbatical every five-to-seven years; funding to be set-aside annually in preparation.		

Part-Time Clergy – Including Part-Time Interim Clergy

Benefit	Convention Action	All Part-time Clergy including Part-time Interim Clergy
Cash Stipend	Mandated – Minimum amounts	Based on portion of full time clergy cash stipend. For example, a half-time position would require ½ of the minimum cash stipends listed above.
Housing & Utilities	Mandated	Housing supplied by parish or appropriate cash allowance provided. Interim clergy should receive an <i>additional</i> payment to cover travel to and from their residence if they do not reside in church-provided housing. The amount is taxable income and is provided at the current standard IRS rate.
Social Security Offset	Mandated	50% of estimated Self-Employment (SECA) tax. Refer to example for calculation.
Pension	Mandated	Assessment of 18% of Total Compensation (Cash plus Housing and Utilities plus Social Security Offset). Paid quarterly to Church Pension Fund.
Business Expenses	Recommended	Reimbursed as incurred, administered through an accountable plan. Subject to mutually agreed upon budgetary total.
Health Insurance	Mandated	Clergy choice from available plans. Parish pays percentage of full cost unless other coverage is provided.
Dental Insurance	Mandated	Parish pays percentage of full cost unless other coverage is provided.
Life Insurance	Mandated	Provided as part of pension package. The amount is 2 times Total Compensation, with a minimum of \$5,000 and a maximum of \$50,000.
Parental Leave	Mandated	Paid leave available to new parent; 8 weeks with pay if parent is primary care-giver; two weeks with pay for non-primary care-giver; additional leave available.
Short-term Disability Insurance	Recommended	Rates vary by coverage and carrier. 70% of pay up to \$1000/week should cost no more than \$360 per year. This benefit allows for pay to continue during times of temporary disability (maternity, heart disease, injury, cancer treatment are common disability occurrences).
Vacation	Recommended	Negotiable. Amount should be agreed upon in advance, recognizing that even part-time clergy need vacation.
Continuing Education	Mandated (01/2005)	Negotiable. Extent should be agreed upon in advance, recognizing that even part-time clergy need time for continuing education.
Housing Equity		Not applicable.
Sabbatical	Recommended	Cleric eligible for 3-month sabbatical every five-to-seven years; funding to be set-aside annually in preparation.

As varying models for ministry evolve in this diocese, a number of congregations are employing clergy on a part-time basis. The Commission has recommended guidelines to the diocesan deployment officer. A full-time clergyperson is estimated to work approximately 50 hours

in an average week. Compensation calculations for part-time clergy should be based on this workweek average; for example, a half-time position would require 25 hours of work per week. Note that clergy, whether part-time or full-time, are acknowledged to be "on-call" all of the time. Part-time Interim Clergy who are not residing in church-supplied housing should receive an additional payment to cover travel to and from their residence. This amount is taxable income and should be calculated using the IRS automobile rate for the year will be 40.5 cents per mile for 2005).

Notes: Tax-exempt housing allowance: a portion of each cleric's cash stipend may be designated by a Vestry or Executive Committee as a "housing allowance" in accordance with the Internal Revenue Code. The designation must be voted upon prior to payment and explicitly noted in the minutes of the meeting. The clergyperson is solely responsible for tracking qualified housing expenditures and declaring any excess "housing allowance" as income. The maximum amount of "housing allowance" that is excludable from taxable income is the lowest of the following three amounts: the rental value of the house (fully furnished), the actual amount spent to provide housing (including furnishings and utilities), or the amount designated in the vestry designation

SECTION 3 – HEALTH AND DENTAL INSURANCE RATES FOR 2005

Health Insurance

The Diocese offers five different plans. The 2005 annual premium rates, payable to the medical trust monthly are:

Insurer/Plan	Single	Two Adult	Parent/Children	Family
Aetna Nat. POS	\$6,012	\$11,808	\$10,656	\$17,628
Aetna Nat. HMO	\$4,788	\$9,396	\$8,472	\$13,992
Aetna POS II	\$5,568	\$10,944	\$9,864	\$16,320
Cigna N NJ HMO	\$6,624	\$15,120	\$14,028	\$20,988
Episcopal Care	\$6,828	\$13,464	\$12,132	\$20,100

Dental Insurance

Current annual rates July 1, 2004 to June 30, 2005:

Insurer/Plan	Single	Two Person	Family (3 or more)
Delta Dental	\$345.74	\$512.88	\$810.18

SECTION 4 - EXAMPLES

Pension Assessment

I. Clergy receiving cash housing allowance:

Salary	\$36,000
Housing & Utility Allowance	24,000
Social Security Offset	<u>4,561</u>
Total Compensation	\$64,561

$$\begin{aligned} \text{Pension Assessment} &= 18\% \text{ of Total Compensation} \\ (.18 \times \$64,561) &= \$11,620.98 \end{aligned}$$

II. Clergy in rectory or vicarage:

Salary (a)	\$36,000	
Utility expense (b)	4,000	
Social Security Offset (c)	4,561	
Housing "value"	<u>13,368</u>	[.30 x (a+b+c)]
Total Compensation	\$57,929	

$$\begin{aligned} \text{Pension Assessment} &= 18\% \text{ of Total Compensation} \\ (.18 \times \$57,929) &= \$10,427.22 \end{aligned}$$

Social Security Offset

Clergy are considered employees for income tax purposes (compensation reported on W-2) but are taxed as self-employed persons for Social Security purposes, called SECA tax. The Diocese of Newark mandates that clergy compensation be enhanced by an amount equal to 50% of the clergy's estimated self-employment tax to correct this tax differential. This compensation enhancement is considered taxable income, so the calculation is circular:

Step 1:	Salary	\$36,000
	Utilities	4,000
	Housing	20,000
	Social Security Estimate	<u>4,561*</u>
	Total Self-Employment Income	\$64,561
Step 2:	Income Adjustment (subtract 7.65% of Total)	
	.0765 x \$64,561 =	\$4,939
Step 3:	Taxable self-employment income:	\$59,622
Step 4:	\$59,622 X 15.3% (full SECA tax) =	\$9,122
Step 5:	\$9,122 X 50% (Diocesan mandate) =	\$4,561

* A good estimate results from adding current salary, utilities and housing together and then multiplying by .076.

Summary of Examples

Overall cost of full-time clergy compensation and benefits package for the year 2005 is:

	<u>Church-provided Housing</u>	<u>Church Provides Housing Allowance</u>
a) Salary	\$36,000	\$36,000
b) Social Security Offset	4,561	4,561
c) Housing (& Utility Allowance)	N/A	24,000
d) Business Expense Reimbursement	4,000	4,000
e) Education Allowance	500	500
f) Health Insurance (family)	13,992	13,992
g) Dental Insurance (family)	810	810
h) Pension Assessment	10,427 *	11,621 **
i) Housing Equity Allowance*** @ 5%	2,896	n/a
j) Utilities provided	4,000	n/a
k) Rectory Maintenance	<u>3,000</u>	<u>n/a</u>
Sub-total "cash cost" to congregation	\$80,186	\$95,484
Estimated rental value of rectory	\$20,000	N/A
Total "value" of salary and benefits to clergy	\$100,186	\$95,484

*Pension assessment = $.18 \times 1.3 \times (a+b+j+k)$

**Pension assessment = $.18 \times (a+b+c)$

***Housing Equity Allowance = $.05 \times 1.3 \times (a+b+k)$

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