

2019 CLERGY MINIMUM COMPENSATION

BE IT RESOLVED, that the clergy compensation levels for 2019 will be increased either by virtue of the clergy being placed in a higher range on the minimum compensation grid OR by the calculated percent of 2.355% whichever is greater. This calculated percent is derived from a blended formula consisting of four economic indicators (see explanation).

| YEARS EXPERIENCE | MINIMUM TOTAL CASH COMPENSATION* |
|-----------------------------|---|
| 0 – 2 YEARS | \$56,525 |
| 3 – 7 YEARS | \$61,559 |
| 8 – 12 YEARS | \$69,950 |
| 13 – 18 YEARS | \$78,340 |

* The Total Cash Compensation (TCC) package is defined as the sum of salary (stipend), housing and utilities allowance, and self-employment tax (SECA); part time clergy should meet these minima on a pro-rated basis.

We recognize that there may be extenuating circumstances preventing a congregation from meeting these minima. Any exceptions must be approved by the Office of the Bishop.

EXPLANATION

The Professional Standards Committee surveyed the other dioceses in our province (Province V) as well as many others around the country. The committee recommended the change in groupings and number of indices used beginning in 2016, as it is in keeping with our philosophy, simplifies the process and it is in keeping with the method used by many other dioceses in The Episcopal Church. The amounts in the groupings were derived from taking the median amount in that range from the 2015 compensation levels.

A parish should also provide its clergy pension (which includes \$100,000 of life insurance coverage) at 18% of the TCC, and group medical and dental insurance as applicable (family or single) and in accordance with Resolution IIIA adopted by the 164th Convention of the Episcopal Diocese of Milwaukee. The provisions in Resolution A177 require the employing entity to provide a minimum of 90% of premium coverage as appropriate to the insured and to establish a Health Savings Account for those employees choosing the high-deductible health plan (HDHP) and funding it at 100% of the HDHP in-network deductible appropriate to the insured, minus the maximum in-network deductible of the lowest non-HDHP, non-HMO plan offered, as appropriate to the insured. This amount shall not exceed the legal maximum amount as appropriate to the insured.

Clergy Compensation Percent Increase Calculation for 2019

| Economic Indicator | Rate | Weight | Net |
|---|------|-------------|---------------|
| Current Inflation Rate http://www.Inflationdata.com | 1.9% | 0.20 | 0.38% |
| Federal Cost of Living Adjustment (COLA) estimate 2018 <u>Sources:</u> http://www.federalretirement.com http://federalretirement.net/cola.htm | 2.0% | 0.30 | 0.60% |
| Consumer Price Index (CPI) estimate from Office of Management and Budget <u>Sources:</u> https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/budget.pdf (Table S-9, Economic Assumptions) | 2.7% | 0.25 | 0.675% |
| U.S. Dept. of Labor – Private Industry Compensation (average of last four quarters, September 2016-June 2017) <u>Sources:</u> <i>Employment Cost Index – June 2017</i> , Press Release, July 2017, Bureau of Labor Statistics, U.S. Department of Labor, p. 3 http://www.bls.gov/news.release/pdf/eci.pdf http://www.dol.gov http://data.bls.gov/timeseries/CIU2010000000000A | 2.8% | 0.25 | 0.70% |
| Total | | 1.00 | 2.355% |

Other considerations:

1. Under IRS regulations, the amount of clergy compensation to be allocated for housing and utilities should be estimated by the cleric and approved by specific recorded action of the Vestry. The designation for 2019 must be completed no later than December 31, 2018.
2. If the priest and his/her family live in housing provided by the parish, the Total Cash Compensation amounts can be reduced by the Fair Market Rental Value of the housing. However, the sum of stipend, housing and SECA is still used to compute pension fund payments and self-employment tax.

The Clergy Compensation Philosophy for the Episcopal Diocese of Milwaukee is as follows:

In the Episcopal Diocese of Milwaukee, compensation of clergy is to be a faithful expression of the ministry, responsibility and professional education and training that are requisite for ordained ministry in this Church. Establishing fair compensation for clergy persons takes into account that clergy are both employees and spiritual leaders. We recognize that a healthy Christian relationship does not relegate compensation of clergy or lay employees to whatever is left over after other expenses have been met. Our churches are neither healthy nor well-served by not paying for the services they are receiving. In the past, at the end of the tenure of a priest who was “flexible” or “understanding” about accepting below-market compensation, a congregation could unexpectedly find that it did not have the financial resources needed to call another priest. No one was served well in this dynamic and so we have worked as a diocesan community to ensure that all clergy are compensated fairly and at a minimally acceptable level.

Congregations need to be sure that they are offering a competitive wage that will continue to bring clergy to serve the needs of the congregation and community. Clergy ought to be compensated at a level that

recognizes their professional training and experience as well as the demands of the position. Determining a fair level of clergy compensation is the responsibility of parish leadership. Diocesan minimum compensation amounts are to be understood as just what the name signifies – a minimum. We certainly don't expect a minimum of effort from our clergy and so there should be discussion about how increases in salary are to be calculated and on what basis they may be offered. Parishes and clergy are encouraged to enter into faithful dialogue so that all can come to an agreement that is deemed fair and appropriate. This will require prayer and discernment as well as frank and open dialogue. To aid in such a discussion, a parish may request input from the Office of the Bishop to assist the wardens, treasurer and other appropriate people to help the congregation accurately understand its current financial situation and compensation practices and the true cost of employing a clergy person. Such a financial review is essential for looking at issues of vitality, mission and ministry. It is the responsibility of parish leadership to represent an accurate parish profile that includes an objective assessment of a parish's ability to afford full-time or part-time clergy ministry based on diocesan-established minimum compensation amounts.

Several parishes in this diocese employ part-time clergy. The Office of the Bishop and the Canon for Congregations will assist with compensation agreements for part-time clergy.

The Diocese has adopted a policy regarding paid sabbatical leaves for full-time stipendiary clergy. The congregation and the clergy member will agree on how long the clergy member must serve to receive paid sabbatical leave. This is not time to engage in a job search but rather is for rest, renewal, continuing education and spiritual enrichment. Sabbatical leave must be used to be paid. Sabbatical leave is not a vested benefit. Unused sabbatical will not be paid out, in whole or in part, when the service of the clergy member to the congregation ends. Part-time clergy may wish to pursue a sabbatical. Those who wish to do so are encouraged to contact the Office of the Bishop to discuss this possibility.

It is expected that all congregations will review clergy compensation annually. Letters of Agreement between the ordained leader and the congregation provide a great opportunity for an annual discussion and review of the entire mission and ministry of the congregation and about the ministry of the ordained leader in particular. This review also provides an advantageous time to establish goals for the coming year, and to deal with any areas of conflict or disappointment that have not received adequate attention and may adversely affect their mutual ministry. Mutual ministry reviews are understood to be separate from but integral to clergy performance, evaluation and compensation considerations. The mutual ministry review, clergy evaluation and compensation review are all essential parts of strengthening this ongoing, collaborative relationship. Please contact Canon Peggy Bean, Canon for Congregations, at bean@diomil.org or 414.272.3028 for assistance with this aspect of parish life.

Submitted by:

Mr. Clyde Bachand, Diocesan Treasurer

CLERGY COMPENSATION FAQs

Q: Can a clergy contract effective date be changed to January for easier calendar year budgeting?

A: *Yes, you can have a partial year contract and then one with a January effective date if the clergy and congregation agree. Letters of Agreement should always be reviewed on an annual basis. Many congregations find it best to do so during their budget process to address any compensation or benefit changes.*

Q: Should congregations pay a housing equity allowance?

A: *Although once a common practice, this is no longer recommended given the changes in the housing market.*

Q: What is the minimum HSA contribution amount? What is the maximum?

A: *The minimum contribution for 2019 is \$2,500, for single and \$4,950 for family. The maximum contribution for 2019 is \$3,500 for single, \$4,500 for single age 55+, \$7,000 for family and \$8,000 for family age 55+. This information can also be found on the diocesan website and will change annually. Medicare recipients may not have an HSA account. If a clergy person or spouse enrolls in Medicare during the year, some of the HSA money may be considered to be taxable income. Please consult with your accountant or contact Diocesan staff for further information.*

Q: The minimum compensation resolution shows a COLA increase plus ranges based on years of service. Should clergy receive both increases if he or she moves to a higher range?

A: *No. The raise should be either the COLA percentage or the range increase, whichever is larger.*

Q: What if our congregation cannot afford to pay the increase?

A: *We understand that there may be extenuating circumstances, and exceptions may be made. Any exceptions must be approved by the Office of the Bishop.*

CLERGY COMPENSATION FAQs (continued)

Q: When calculating years of service to determine the appropriate compensation range, do years of service in another diocese count? What about with another denomination?

A: *Years of service in another Episcopal diocese certainly count. Years of service as ordained clergy in another denomination may well be factored in. We suggest a conversation with the Office of the Bishop to help make that determination.*

Q: Does the amount a congregation pays clergy towards SECA need to be a separate calculation/line item or can the amount just be included in the cash compensation total?

A: *It does not have to be a separate line item. If you aren't going to identify it separately, CPG recommends that this is clearly spelled out in your Letters of Agreement. CPG lists all reported SECA amounts on the Personal Information Summary they supply to clergy. They apparently get a lot of inquiries from clergy when the value on the SECA line is zero. Some congregations list it separately as information for their members. Many lay people don't know that clergy are considered to be self-employed and must pay SECA themselves.*

Q: Can we use a fixed amount (that includes utilities) for the FMRV (fair market rental value) for church-provided housing or do we have to use CPG's 30% calculation?

A: *CPG said that using the fixed dollar amount for FMRV and utilities is the proper way for parishes to calculate housing for IRS reporting purposes. For pension purposes, CPG will use the 30% to calculate the housing allowance.*

Q: How do we determine FMRV (fair market rental value)?

A: *We recommend having a realtor provide a letter stating the FMRV of the house furnished. This would need to be updated periodically.*