



Episcopal
Diocese
of New Hampshire

**Clergy Compensation and Benefit Guidelines
2012**

Clergy Compensation Committee
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Clergy Compensation and Benefit Guidelines 2012

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About These Guidelines

This summary has been prepared to enable wide distribution of Clergy Compensation and Benefit Guidelines to clergy, congregational leadership, and prospective candidates for clergy positions in the diocese.

The goal of the 198th Diocesan Convention, in October 2000, in establishing these guidelines was to:

- Insure that compensation and benefits for clergy:
 - allow a reasonable standard of living according to local and/or regional measures, and
 - attract, retain and support clergy to achieve the mission of the diocese and congregations.
- Encourage initial salary placement that recognizes differences in length and range of experience relative to the scope of the position and/or role while taking into account the size, location and financial resources of the congregation.
- Promote salary advancement and benefits improvements that reflect personal growth and experience, expanded responsibilities, and other relevant factors.

These guidelines are based on the belief that fair, adequate, and competitive compensation for clergy, together with a strong model for the setting of goals and mission priorities, and strengthening standards of accountability for lay leadership and all members of congregations will enhance the future of Christian ministry in the Diocese of New Hampshire.

History

On March 11, 1999, Bishop Douglas Theuner convened the Task Force for Clergy Compensation to review the status of clergy compensation for the Diocese of New Hampshire and to develop appropriate revisions thereto. This document has evolved from the result of the task force's efforts. As with any entity employing people, the Church calls its clergy with the expectation of compensating them at a level that will attract qualified individuals. Seeking a reasonable level of compensation should never be a deterrent for clergy who express interest in serving in a congregation of this diocese.

In addition, the task force studied a number of other approaches to clergy compensation used by Dioceses deemed to be similar to the Diocese of New Hampshire. This gave the task force a broad perspective on the manner of clergy compensation in the wider church. Approaches to clergy compensation were studied in the following dioceses:

- Bethlehem
- Connecticut
- Delaware
- Maine
- Massachusetts
- Ohio
- Rhode Island
- Vermont
- Western Massachusetts
- Western New York

The Task Force noted that:

- Most dioceses group congregations by some form of criteria;
- All similar dioceses have a clergy compensation plan based on congregation type, and compensation ranges are established for each type of congregation;
- Congregation type is typically established using two important and available criteria:
 - Average Sunday attendance (as defined in the Annual Parochial Report)
 - Total operating revenue (line A of the Annual Parochial Report, excluding Diocesan aid received)

Based on these criteria, the Clergy Compensation Committee developed the recommendations found on the following pages, which in turn correlate to the minimum clergy compensation ranges approved each year by the annual Diocesan Convention.

The basic model recommended by the Task Force and adopted by the 198th Diocesan Convention remains unchanged.

Criteria for Determining Congregation Types

The Clergy Compensation Committee recommends use of the following criteria for determining five congregation types, which form the basis for the 2012 Clergy Compensation Tables found in these guidelines.

a) Allocation of Attendance and Revenue Points

In determining congregation types, one point is assigned for each person of Average Sunday Attendance and each \$1,000 of Line A revenue (excluding Diocesan Aid received) as reported in the Annual Parochial Report. The baseline year for the 2012 Clergy Compensation Range Tables is 2010. Table 3 (p. 27) of these guidelines shows the point totals for each congregation in the diocese.

b) Categorization of Congregations by Total Points

How these points translate into types is determined by adding up the total of all points for all 47 congregations of the diocese and dividing by 47. This average becomes the lower end of the range for Type III (Program Size) congregations. The lower end of the range for Type IV (Transitional Size) congregations has a point total of 1.67 times the average; Type V (Corporate Size), 2.33 times the average; Type II (Pastoral Size), 0.67 times the average; and Type I (Family Size), less than 0.67 times the average. Below are this year's categories based on 2010 Annual Parochial Report data:

- | | | | |
|------------|---------------------|---|----------------|
| • Type I | (Family Size) | = | 0-182 points |
| • Type II | (Pastoral Size) | = | 183-271 points |
| • Type III | (Program Size) | = | 272-452 points |
| • Type IV | (Transitional Size) | = | 453-633 points |
| • Type V | (Corporate Size) | = | 634+ points |

Canon on Clergy Compensation

The 198th annual Diocesan Convention (October 2000) adopted additional sections concerning minimum annual compensation for parochial clergy to Diocesan Canon 14 – Duties of Wardens and Vestries. The adopted sections, # 3 and # 4, of Canon 14 are printed here in their entirety.

Canon 14 - Duties of Wardens and Vestry Members

Section 3. Clergy Compensation

Every congregation of the diocese shall provide its clergy person(s) with at least the minimum annual compensation due them according to the terms of a resolution to be passed at each annual convention of the diocese, such compensation to become effective at the beginning of the following calendar year. Such “minimum annual compensation” shall be understood to include all of the components used by the Church Pension Fund to determine pension assessments. For purposes of this canon full-time employment shall be considered to be at least 40 hours/week. Where the employment of the clergy person is defined by the Letter of Agreement as being less than full-time, the vestry or bishop’s committee shall determine and provide at least the appropriate pro-rated level of minimum annual compensation.

Section 4. Implementation of Clergy Compensation Canons

Every congregation of the diocese shall begin implementation of the provisions of Section 3 by annual adjustments beginning on January 1, 2002. The provision of this canon shall be applicable to all clergy serving congregations as rector, vicar, priest-in-charge, interim priest, assistant, associate, curate, and to those who may be employed by the diocese in extra-parochial capacities. Compliance with this canon shall be so stipulated in the Letter of Agreement of each such clergy person, a copy of which shall be on file with the Office of the Bishop. Each congregation shall report to the bishop by March 1 of each year on the compensation of its clergy person(s) and the report will be recorded in the next Pre-Convention Journal.

Implementation of the Guidelines

Clergy have noted the difficulty in advocating for salary increases in the parish budgeting process given increases in fixed expenses and stable or declining revenue. Therefore, a full understanding of the guidelines is essential for any and all persons involved in determining levels of compensation for the clergy of their congregations. This includes members of the vestries, bishop's committees, personnel/compensation committees, finance committees, treasurers and clergy.

1. The bishop will not allow the "calling" of clergy to new positions in this diocese if these guidelines are not met. It is expected that the wardens for congregations whose clergy compensation and benefits package does not meet these guidelines will make an appointment with the bishop to develop a plan for reaching compliance. Clergy being called to a support position (assistant, curate, associate, etc.) may only be called if the senior clergy person in the calling congregation is being compensated at a level that fulfills these guidelines.
2. All other congregations that are currently failing to meet this standard are required to submit to the bishop a plan and timeline for reaching full compliance.
3. A clergy person's Total Clergy Compensation (TCC) should be commensurate with his/her background, experience, responsibility, capability and the salaries in comparable fields. The TCC should enable the clergy person to maintain at least a moderate standard of living in the community.
 - The 2012 Minimum TCC Table for Clergy in Charge (Table 1, p. 26) represents the *minimum* compensation level for clergy in the experience categories indicated. **It may be appropriate, particularly for more experienced clergy, to provide TCC that is significantly higher than the amounts stated in Table 1.** An optional "Senior Clergy" column has been provided to suggest a guideline for those with 18 years or more of ordained experience.
 - The TCC for full-time support clergy (curates, assistants and associates) should be *at least* in the amounts specified in Table 2 (p. 26), with consideration given to experience and length of time in ordained ministry. While congregations are free to use whatever language deemed appropriate in defining the title of their support clergy, for purposes of Table 2, "Assistants" are defined as clergy with 0-6 years' experience; and "Associates" as clergy with 6 or more years' experience. An optional "Senior Associate" column is also provided in cases where support clergy have 12 or more years' ordained experience. It is important to recognize that these compensation guidelines are for clergy who would be considered as participating in normal employment status. Retired clergy may decline to accept the normal stipend, or negotiate a stipend less than that recommended.

4. Each congregation should have a written Letter of Agreement (LOA) with its clergy person, a copy of which must be on file in the Office of the Bishop. Please see Appendix 1 (p. 33).
5. The TCC guidelines are for full-time and part-time ordained positions, appropriately modified. Part-time assisting clergy should be compensated on a pro-rated basis using hours stipulated in the LOA. Full-time is considered to be at least 40 hours/week.
6. If the clergy person's housing is provided rent-free, the housing compensation is calculated by the Church Pension Fund as being 30% of the clergy person's cash stipend, self-employment tax (SET), and utilities. If his or her housing is provided rent-free and she/he also receives a cash allowance or housing equity allowance, the housing is assumed at 30% of the clergy person's cash stipend, SET, and utilities. Then, the cash housing allowance or housing equity allowance is added. **Please note that this calculation differs from the one used to determine the value of housing for income tax purposes.** See Section VII below for further details. Those who have questions as to the policies of the Church Pension Fund may call Pension Services at 1-866-802-6333.
7. The Committee recommends that Mutual Ministry Reviews be conducted to evaluate the mission of the congregation and the relationship between the clergy, lay leadership and the congregation, to set future goals to meet common expectations, and to determine responsibilities of clergy, vestry/bishop's committee and congregations. Please see Appendix 2 (p. 42).

* * *

A full understanding of this entire document is essential for any and all persons involved in determining levels of compensation for the clergy of their congregations. This includes members of the vestries, bishop's committees, personnel/compensation committees, finance committees, treasurers and clergy.

Clergy Compensation

I. Definition of Total Clergy Compensation

Total Clergy Compensation (TCC) is composed of cash salary (including the portions thereof that are designated as housing/utility allowance and Self Employment Tax [SET] reimbursement), housing equity allowance (if paid), and any other payments – money, goods, or services – that would fit conventional definitions of compensation.

TCC does *not* include benefits or reimbursements of qualified church expenses that have been, for the convenience and furtherance of church operations, paid for and documented by the clergy person.

TCC is used by the Church Pension Fund to compute pension assessments paid by the congregation. *The Minimum TCC Tables on page 26 are consistent with this definition.* In sum, TCC is substantially equivalent to “salary” as that term is used in secular employment.

II. Definitions of the TCC Components

Cash Salary is defined as the amount of money paid including bonuses, one-time cash payments, tuition paid for dependents, and any amount paid to fund an annuity or other deferred benefit, but excluding out-of-pocket business expense reimbursements in connection with an accountable reimbursement plan as described on page 24.

Housing - See pages 14-17 for a full explanation of church-provided housing and clergy-provided housing as defined for the purposes of TCC.

Self-Employment Tax (SET) reimbursement is compensation provided to offset self-employment taxes. It is calculated at 7.65% of all TCC components received by clergy except the SET reimbursement.

Housing Equity Allowance - See page 22 for an explanation of this optional, recommended benefit.

III. Supplemental Income

The clergy shall not charge fees for performing rites of the Church (*examples: baptisms, marriages, funerals*) for members in good standing of the congregation. Such honoraria for active and non-active members of the congregation shall go to the rector/vicar discretionary fund. The clergy may, however, receive income from other sources. Examples are: sacramental services on behalf of persons not in any way related to the

congregation; fees and honoraria for professional services performed on personal time for groups unrelated to the congregation; or for sermons, books or articles published outside the congregation.

All such supplementary income is to be reported on Schedule C of the clergy person's Federal tax return. Should a clergy person desire to contribute any such income to the congregation, to the clergy discretionary fund, or to any other charitable organization, he/she should accept the personal income, then contribute via personal check, reporting the income on Form 1040, Schedule C, and the charitable deduction on Form 1040, Schedule A.

IV. Full-time and Part-time Clergy Compensation

Although Clergy are considered to be exempt from the Fair Labor Standards Act, care must be exercised in preparing a Letter of Agreement (LOA) in which hours of work are discussed. Using a minimum of 40 hours/week (which is the usual full-time position in the Diocese of New Hampshire) for purposes of making certain calculations is acceptable, but it must be emphasized that clergy are called to perform a function without regard to the number of hours spent "on the job." A clergy person called full-time can work more or less than 40 hours/week, while a clergy person called as part-time can work the pro-rated hours defined in their LOA, more or less. **In this era of part-time employment, congregations must avoid the temptation to abuse the process to get more work for less pay from their clergy.**

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.

V. Supply Clergy Compensation

Congregations periodically engage clergy for "supply" work, to perform one or more services on a Sunday, or to perform a weekday service. The following rates shall apply:

- | | |
|---------------------------------------------------------------|----------------------|
| a) For three Sunday services | \$250.00 |
| b) For two Sunday services | \$200.00 |
| c) For one Sunday service (Types II-V congregations) | \$150.00 |
| d) For one Sunday service (Type I congregations <i>only</i>) | \$125.00 |
| e) For one weekday service | \$100.00 |
| f) For preaching at a service celebrated by another priest | \$ 75.00 |
| g) For holiday services | a, b, c or d applies |

In addition to the fees suggested, supply clergy should be reimbursed for all related expenses: meals, lodging, telephone, and travel at the current IRS mileage rate, which may be found at www.irs.gov (enter "standard mileage rate" in the search box).

Please Note: If supply clergy earn \$200 or more per month in salary and/or housing from the same congregation for three or more consecutive months, an assessment of 18% (retroactive to the first month) to the Church Pension Fund becomes a required benefit.

Age-retired clergy who earn more than 50% of the median compensation of all active U.S. clergy in a calendar year are subject to an 18% assessment from the employing congregation on any such earnings unless they have an exemption from the Church Pension Fund at the bishop's request. It is important that clergy in such situations be in touch with the Church Pension Fund to assure that all Pension Fund provisions are taken into account.

Ordinarily, no Church Pension Fund assessment is due on earnings of clergy over 65 years of age who are on disability retirement with the Church Pension Fund.

VI. Self-Employment Tax (SET) Reimbursement

Although ordained clergy are considered *employees* for federal income tax purposes, they are considered *self-employed* for social security purposes.

Self-employed persons are required to pay 15.3 percent of their net income from self-employment, and that is called Self-Employment Tax (SET). SET is analogous to Social Security and Medicare taxes, but individuals receiving income from self-employment have no employer (other than themselves) to share in the cost of the levy. Whereas, for persons regarded as employees by the Social Security Administration, the 15.3 percent is divided equally between employee and employer, each paying 7.65 percent.

The only difference between a dollar of clergy compensation within base salary or housing and a dollar of SET reimbursement is that a dollar designated as SET reimbursement does not result in additional SET liability. However, the SET reimbursement dollar is subject to federal income tax.

Total Clergy Compensation (TCC) must include one-half of the Self-Employment Tax (SET). The SET may be paid to the clergy person in quarterly installments or on any other schedule, as long as the payments are clearly characterized and documented as SET reimbursement.

Note: In 2011, the Self-Employment Tax was reduced to 13.3 percent as part of the federal government's economic stimulus initiative. Because this reduction has not been made permanent, and because the effect of this reduction is generally less than \$30 per month, these guidelines have not been adjusted to reflect the lower rate. It is recommended that SET remain at one-half of 15.3 percent until such time as the law may be permanently changed.

VII. Housing

Clergy housing – whether it is provided as church-owned housing or as a designated portion of the clergy person’s cash compensation – is an important part of the overall clergy compensation package. There are guidelines with respect to clergy housing for federal income tax calculations, social security (SET) tax calculations, Church Pension Fund’s pension premium, and total clergy cost to congregation which need to be understood and followed.

The vestry/bishop’s committee needs to give careful consideration to these guidelines at the following times:

- when negotiating a clergy Letter of Agreement
- when calculating TCC in relation to diocesan Clergy Compensation Tables
- when designating a portion of clergy salary as housing allowance
- when calculating SET offset
- when completing clergy pay stubs and W-2 form
- when budgeting for clergy cost to congregation

There are also implications for clergy taxes. The authoritative source for Episcopal clergy tax information is the Church Pension Fund’s *2011 Tax Guide for Episcopal Ministers for 2010 Tax Returns*, referred to later in this section as CPF Tax Guide. The guide is can be downloaded from the Tax Publications section at www.cpg.org/forms-and-publications. It is updated annually.

A. Church-provided Housing

If a rectory/vicarage is provided, the following items are normally paid by the congregation, with the approval of the vestry:

- Insurance
- Property taxes (if any)
- Maintenance of building and grounds
- Maintenance and replacement of major appliances
- Shades, blinds, light fixtures, etc.
- Capital improvements

When a rectory is provided, the quality of the housing should be on a par with typical housing in the community in which it is located. It should be faithfully maintained. Every vestry/bishop’s committee must take into account, both in budgeting and providing necessary funds, the standards and timeliness of the actual maintenance and improvement work required.

In most circumstances applicable to clergy serving in congregations, clergy are not required to include the value of church-provided housing in their federal taxable income. However, it needs to be included in the clergy person’s

calculation of SET. For the SET calculation the clergy person must use fair market rental value of the housing provided plus actual utilities (if paid by church). If utilities are not paid by the church, the clergy person is entitled to designate a housing allowance. (See CPF Tax Guide with respect to Schedule SE.)

The Church Pension Fund uses a different approach to calculating the value of church-provided housing when calculating TCC and pension premium: *“If your housing is provided rent-free, or if it is provided rent-free and you receive an additional cash housing allowance, your housing allowance will be assumed at 30% of the total cash stipend, Social Security [SET offset], and utilities plus the actual amount of any additional cash allowance.”* (CPF Annual certificate “Definitions” section.) [Note: This has the surprising result that as the clergy person’s cash compensation increases from year to year, the housing will be valued higher for Church Pension Fund purposes, even if it’s the same house!]

Worksheet 1, like the IRS’s SET calculation, but unlike the CPF’s 30% rule, uses fair rental value in the case of church-provided housing when calculating TCC for use in comparison to Table 1 or 2.

Clergy who live in church-provided housing should nonetheless have a portion of their compensation designated as housing allowance by resolution of the vestry/bishop’s committee, if the clergy person pays some of the expense of the housing: *“[Clergy] who live in church-provided housing and incur any out-of-pocket expenses in maintaining the house (such as utilities, property taxes, insurance, furnishings, or lawn-care, should be sure that their employing church designates in advance a portion of their annual compensation as a housing allowance.”* (CPF Tax Guide).

See the discussion of housing allowance resolutions in the following section for guidelines regarding clergy-provided housing.

For the purpose of calculating TCC for clergy with church-provided housing to be compared with the TCC Tables, Worksheet 1 includes the cost of utilities as part of the TCC for clergy with church-provided housing. This is intended to provide an equitable and comparable TCC value in relation to clergy living in clergy-provided housing, who pay their own utility bills. Therefore, for church-provided housing, the actual cost of utilities such as heat, electricity, and water/sewerage should be entered into Worksheet 1, Section I. C.(b) to the extent that they are not included in the fair rental value (Section I.C.(a)). If the church-provided housing unit shares some of those utility costs with other church buildings, a best estimate of the housing unit’s share of those costs should be included at Section I.C.(b).

B. Clergy-provided Housing

The IRS provides an exclusion for the housing expenses of clergy who provide their own housing *for federal income tax purposes (not Self Employment Tax)*, so as to be equitable in relation to clergy with church-provided housing. In order to take advantage of those federal tax benefits, a portion of cash compensation must be designated by the vestry/bishop's committee as "housing allowance." A housing allowance resolution does not apply retroactively so, in order to apply to a full calendar year, it must be enacted no later than December 31st of the previous year. The specific amount designated and recorded in the vestry minutes as housing allowance is of no consequence to the congregation, its budget, or its finances. The housing allowance is simply a designation of a portion of TCC to enable the clergy person to take advantage of the tax benefits mentioned above.

The clergy person assumes full responsibility for complying with IRS definitions of "cost to provide a house."

- Under certain circumstances the clergy person may request an amendment to the housing allowance during the calendar year in which it is to be taken. Please note that any amendment to housing allowances only operates prospectively, NOT retroactively.
- Clergy who rent, lease or own their homes may exclude from taxable income (but not from their SET reimbursement) the LEAST of the following three amounts:
 1. The portion of compensation designated by vestry vote as housing allowance; or
 2. The amount actually disbursed in the procurement of housing, including furniture and furnishings, repairs, renovations, et al., whether rented or purchased; or
 3. The fair rental value of the home, including furniture and furnishings plus utilities.

For details on applying these guidelines, see the current version of the CPF Tax Guide.

For purposes of calculating pension and pension premium, the Church Pension Fund uses the following guidelines in the case of clergy-provided housing: *If [the cleric] receives an actual housing allowance, for pension purposes it will be assumed at actual cash allowance or 30% of cash stipend, social security, and utilities, whichever is greater.* (CPF Annual certificate "Definitions" section.)

C. Equity Sharing Arrangements

As a means to attract clergy who would otherwise find it difficult to afford housing in the more expensive areas of the diocese, the use of an “equity sharing arrangement” may be a great tool in negotiating a Letter of Agreement. In short, this means that the clergy person and the church will be partial owners of a purchased residence. This is a contractual arrangement and the use of a real estate attorney is mandatory in drafting such a document.

There are several models to use in such arrangements. The most common involves a simple “percentage of ownership” based on the purchase price and this is the same percentage used at the time of sale to divide proceeds (assuming any capital improvements were shared in the same manner). You should contact the Chief Financial Officer if you are considering such an arrangement.

Benefits

(See Letter of Agreement - Appendix 1)

It is important to understand that benefits, whether required or optional, are available to be used as and when needed. Unused benefits do not entitle a clergy person to further benefits or compensation in lieu of benefits not needed or taken.

I. Required Benefits: *The Diocese of New Hampshire mandates the following benefits. The congregation pays the full costs associated with these benefits, except as noted.*

A. Clergy Pension

Title I, Canon 8, Section 3 of the Episcopal Church of the United States of America Canons - 2009 stipulates that Church employers pay pension assessments on compensation paid to bishops, priests and deacons by all parishes, missions, and other ecclesiastical organizations or bodies that are subject to the authority of The Episcopal Church. Assessments are required for clergy serving full- and part-time, as well as those in supply or interim positions, when they are paid \$200 or more per month, exclusive of travel expenses, for three or more consecutive months by the same employer. The pension premium is 18% of the TCC for active clergy. Church Pension Fund provides active clergy with age-retirement benefits, some disability benefits, a death benefit and life insurance for those working full-time.

B. Health and Life Insurance

All clergy must have medical insurance for themselves and their families.

Clergy normally will select their health insurance plan from among the diocesan options offered. Congregations are required to pay the full premium of the least expensive plan available among these options for clergy and their families, when the clergy are working in half-time (or greater) positions. Should clergy and/or congregations choose a higher cost option, the cost differential may be paid for by the congregation, the clergy person, or shared as mutually agreed. Congregations served by clergy in less than half-time positions are required to pay a portion of the health premium equal to the percentage of time agreed to in the Letter of Agreement.

Clergy covered outside the diocesan plan (allowable only through a spouse/partner's coverage) must provide written documentation of insurance annually to the diocese – Worksheet 4 (p. 32).

Clergy living with a domestic partner of the same gender, with the bishop's approval, will be provided the same benefit for health insurance coverage. When a domestic partner needs coverage, the diocese recommends that the congregation provide the clergy person

with the traditional cost of coverage for a clergy person with a spouse. For the definition of “domestic partner” please refer to Appendix 3 (p. 43).

Life insurance equal to two times the clergy person’s current TCC, with a maximum of \$100,000, is provided under the Church Pension Fund assessment. Disability insurance is also provided with benefits commencing from the date of application; accordingly, prompt application is essential. While receiving such disability benefits, the term life insurance benefit is reduced to \$25,000. For more details please contact the Church Pension Fund at 1-800-233-6602 and request a current copy of *A Guide to Pension Benefits Under the Clergy Pension Plan* or download a copy from the Publications/Pensions section at www.cpg.org/forms-and-publications.

C. Weekly Time Off

Clergy are expected to exercise good stewardship in allocating time to the congregation and to personal recreation and refreshment. It is expected that there will be at least one continuous twenty-four hour period solely for the clergy person’s personal and/or family use. It is also expected that the wardens will be mindful of the clergy’s health and welfare and respect the clergy person’s personal time.

D. Compensatory Time Off

When demands of the clergy person’s duties – such as funerals, weddings, crisis care, and holiday services – prevent the clergy person from taking his or her scheduled time off, compensatory time off should be arranged as soon as possible to ensure that the clergy person has adequate personal and rest time. A workable arrangement to handle such compensatory time should be established by the clergy person and the vestry/bishop’s committee or the wardens.

E. Annual Leave

Clergy have the following periods of leave at full compensation:

- Federal holidays to be taken so as not to interfere with public worship. These holidays include: New Years’ Day, Martin Luther King, Jr. Day, Presidents’ Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans’ Day, Thanksgiving Day, and the days following Thanksgiving and Christmas.
- One-month annual vacation consisting of the equivalent of four work weeks and four Sundays. Unused vacation time is not carried over to the following year, nor is it compensated at the termination of the clergy person’s employment.

F. Continuing Education Leave

Annual time allotted by each congregation to its clergy for continuing education shall not be less than two work weeks, and expenses shall be a distinct budget line, set at or above

the minimums outlined on page 25 of these guidelines. The benefit is to be used only for continuing education (and is not to be used in pursuit of any other purpose or as additional cash stipend). Time not used in one year is not to be carried over; however, money not used in a given year is to be set aside in a special account, and may be used in future years as needed (up to three years), either for continuing education or to help fund the clergy person's Refresher Leave (see below). Any such funds carried forward do not reduce the congregation's obligation to budget the required amount in continuing education funds each and every year.

G. Clergy Refresher Leave

Each congregation is required (at the time of a new call) to budget for a Clergy Refresher Leave for all clergy. This leave may be of variable duration as determined by the mutual consent of the congregation and rector/vicar. The diocese expects three months' leave for full-time clergy after five years of continuous service. The diocese strongly encourages congregations not currently budgeting for this benefit to do so. Each vestry/bishop's committee should consider a policy on this subject, so as to avoid misunderstanding and to permit advance planning. A Clergy Refresher Leave grant program is provided by the diocese. Additional information may be obtained from the Diocesan Grants for the Continuing Education of the Clergy Committee.

H. Sick Leave

Diocesan policy is that sick leave is just that – to be taken when the individual employee is legitimately ill and/or in need of medical or dental services; or if necessary, when a member of the employee's immediate family (child, sibling, parent, spouse or partner) is ill or in need. Sick leave is a benefit, not compensation, and does not accrue or entitle a clergy person to additional payment, e.g. upon leaving a congregation. Income replacement (short-term disability) insurance for extended incapacitation of up to one year is included within the Church Pension Fund's coverage of all clergy.

When disability is long-term (in excess of 52 weeks), clergy have recourse to the disability retirement provisions available through Church Pension Fund. Further, a clergy person might consider purchasing additional long-term disability, or long-term care insurance – the Church Pension Group has such products available.

I. Term Life Insurance (in excess of amount provided by CPF)

Extra term life insurance in the amount of \$35,000 is required for all parochial clergy in the Diocese effective January 1, 2007. It should be noted that, under current tax law, the imputed cost of term life insurance in excess of \$50,000 is reportable as taxable income. CPF provides a report of imputed income to be included on the clergy person's Form W-2 each year.

Information on purchasing additional group term life insurance is available from the Church Pension Group.

J. Maternity/Paternity/Bereavement Leave

Maternity/Paternity/Adoption Leave - Congregations are not subject to the Federal Family and Medical Leave Act of 1993 (FMLA), but the Diocese expects compliance. The FMLA requires up to 12 weeks of unpaid leave for the mother or father in the event of the birth, adoption or placement of a child.

The Committee recommends adoption of the following resolution, passed by the 73rd General Convention (2000) of the Episcopal Church:

1. A member of the clergy who has been employed by the church for one full year and is the designated “primary child-care parent” is entitled to leave for the birth or adoption of a child for a minimum of eight weeks with pay. Up to eight additional weeks may be taken without pay. The member of the clergy may elect to use vacation leave or sick leave during this latter period.
2. A member of the clergy who has been employed by the church for one full year and is the “non-primary care parent” is entitled to leave for the birth or adoption of a child for a minimum of two weeks with pay and up to ten additional weeks without pay.
3. A member of the clergy not employed by the church for one full year is entitled to the same number of weeks of leave. Pay during this period is negotiated between the employer and the member of the clergy.

Note: The 30-day waiting period previously required prior to the commencement of short term disability benefits for a member of the clergy who gives birth has been eliminated. The short term disability benefit now commences when the clergy person gives birth and the benefit can continue for up to 12 weeks. Clergy and congregations are encouraged to contact the Clergy Pension Group for additional information regarding this benefit.

Bereavement Leave - The purpose of bereavement leave is to enable clergy to take care of matters caused by the death of an immediate family member. The number of bereavement days allowed would be mutually determined by the clergy person and the vestry. Immediate members include: siblings, children, parents, partner, spouse, and parents-in-law.

K. 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.

II. Optional Benefits: *The following benefits are optional. The congregation pays any costs associated with these benefits as agreed to between the rector/vicar and the vestry/bishop's committee.*

A. Sundays following Christmas and Easter

In addition to other holidays and vacation leave, rectors/vicars and vestries/bishop's committees may negotiate for additional leave time for the Sundays following Christmas and Easter.

B. Housing Equity Allowance

Clergy living in church-provided housing may be at a disadvantage in comparison to clergy who receive a housing allowance and purchase a home. As an element of a sound financial plan, and to compensate for the lack of equity interest in property if housing is provided, it is recommended that the congregation and rector/vicar agree on a housing equity allowance at the time the clergy person's compensation is negotiated.

The housing equity allowance should be considered with the intent that the clergy person will be able to make a down payment on the purchase of a home upon retirement, as if he or she had purchased a home and had been gaining equity during his/her years of congregational service. The equity allowance could be in a range between 2% and 6% of the TCC, depending on mortgage interest and property value inflation. Unless the property values inflate very rapidly or very slowly, 4% of the TCC is a reasonable annual housing equity allowance. Preferably, it should be placed in a tax-sheltered account. The equity allowance allocated to a clergy person who is provided a rectory/vicarage must be included in the TCC.

C. Retirement Savings Plan and Deferred Income Annuities

Under some circumstances, it may be appropriate for the congregation to supplement the Church Pension Fund contributions and benefits. The Church Pension Group offers several types of retirement savings plans and annuities. The money grows on a tax-deferred basis until the clergy person elects to start receiving income from it, normally after the age of 59 ½ and before 70 ½. For details, contact the Church Pension Group at 1-800-223-6602 or go to www.cpg.org.

D. Dental Insurance

The Episcopal Church Medical Trust currently offers three tiers of Dental Insurance, administered through CIGNA Health Care. More information about the cost of this insurance is available by calling the Finance Officer at Diocesan House: (603)224-1914 or (800)995-1914.

E. Longer Maternity/Paternity Leave

If needed, longer paid or non-paid maternity/paternity leave should be negotiated between the clergy person and the vestry/bishop's committee.

F. Severance Packages

Severance packages, unless previously and contractually agreed, are always in the nature of gifts, if offered at all. They are not entitlements to be expected by a clergy person departing or retiring from congregational service. In certain (but not usual) circumstances, gifts of such sufficient substance as to be thought of as severance packages are not necessarily inappropriate. They might be offered for any number of reasons. Vestries have the right to use congregational resources as they see fit within the faithful and prudent exercise of their fiduciary responsibilities.

* * *

The cost of these optional benefits (*that is, the value of the benefit to the clergy person*) is not included in the Total Clergy Compensation (TCC).

Expenses

I. Out-of-Pocket Business Expenses

Virtually all clergy persons incur out-of-pocket business expenses during the course of the year for transportation, travel, entertainment, education, books, and similar items. It is appropriate that a congregation reimburse its clergy for expenses incurred on behalf of the parish during the discharge of church responsibilities. This is NOT compensation, but rather part of the cost to the parish for ordained ministry.

There are two ways to handle and report out-of-pocket business expenses: (1) accountable reimbursements or (2) non-accountable reimbursements.

Accountable Reimbursement Method – A reimbursement arrangement is accountable if it meets all four of the following requirements:

1. Business connection. Expenses must have been incurred or paid while performing services as “an employee for the employer.”
2. Adequate accounting. The clergy person must file a request for reimbursement substantiating all expenses within 60 days after the expenses have been incurred.
3. Return excess reimbursements. The clergy person must return any excess reimbursement or expense advance within 120 days after the excess reimbursement is paid.
4. Reimbursements not made by salary reduction. The IRS requires that expense reimbursement be a distinct transaction from the payroll process.

When this method is used, none of the expense reimbursements need to be included on the clergy person’s Form W-2 and there is no expense to deduct on the clergy person’s Form 1040, Schedule A. The clergy person, in effect, reports to the parish, not to the IRS.¹ ***Use of an accountable reimbursement method is highly recommended.*** A sample Employee Expense Account Form is included in these guidelines at Worksheet 3 (p. 31).

Non-Accountable Reimbursement Method – A reimbursement arrangement is non-accountable if it either (1) requires no substantiation of the actual amount, date, place, and business purpose of each reimbursed expense within a reasonable time; or (2) does not require excess reimbursements to be returned to the parish within a reasonable time. The most common example of a non-accountable arrangement is a monthly car allowance that requires no substantiation of usage or return of the excess. When this method is used, all reimbursements must be reported as income on Forms W-2 and 1040. ***For this reason, a non-accountable reimbursement method is not recommended.***

¹ 2011 Federal Reporting Requirements for Episcopal Churches.

II. Professional Support and Continuing Education

A. Professional Support

The Diocese strongly recommends that all rectors/vicars join a local clergy support group, either Episcopal and/or ecumenical, and that this time be part of the recognized work week. Also, clergy are expected to participate in the affairs of the diocese at the request of the bishop or diocesan office, and the congregation is requested to release the clergy person to do so. If the demands on the clergy person's time become difficult to resolve, they should be addressed in the Mutual Ministry Review.

Financially, the congregation is urged to provide a minimum of \$300 annually to assist the clergy person with books, periodicals, association dues, vestments, the cleaning of vestments, and professional expenses such as the annual Clergy and Spouse/Partner Winter Gathering. An accounting of these funds shall be made to the vestry/bishop's committee.

B. Continuing Education

The congregation is also urged to provide a minimum of \$300 (Types I & II congregations) and \$500 (Types III, IV & V congregations) in the annual budget for continuing education of each clergy person, and to allow up to two weeks' time for professional education purposes. Clergy may also apply for significant grants from the Grants for the Continuing Education of the Clergy Committee of the Diocese. The Diocese strongly urges all clergy to utilize these financial and time allowances. The Diocese further recommends that rectors/vicars and support clergy report to the congregation's annual meeting and the bishop detailing his/her continuing education during the previous year.

III. Clergy Refresher Leaves

The diocese supports Clergy Refresher Leaves for study and renewal. A Refresher 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 clergy person must meet with the bishop to discuss his/her proposed Refresher Leave.** The diocese expects that the clergy person will return to the congregation for a minimum of one year following a Refresher Leave. Generally speaking, a Refresher Leave lasts for three months and is granted after the clergy person has served the congregation five years. Full compensation and benefits are continued during the leave. Congregations are advised to plan by setting aside funds annually for this purpose.

Table 1

2012 Minimum Total Clergy Compensation for Clergy in Charge

| Experience → ↓ Cong. Type | Newly Ordained Clergy (0 – 6 years) | Intermediate Experience (6+ years) | Experienced (12+ years) | Senior Clergy (18+ years) (Recommended) |
|--------------------------------------------|------------------------------------------------|-----------------------------------------------|------------------------------------|--------------------------------------------------------|
| Type 1 Base* | 48,027 | 51,093 | 54,159 | 57,224 |
| SET | 3,674 | 3,909 | 4,143 | 4,378 |
| TCC | 51,702 | 55,002 | 58,302 | 61,602 |
| Type 2 Base* | 54,031 | 57,480 | 60,928 | 64,377 |
| SET | 4,133 | 4,397 | 4,661 | 4,925 |
| TCC | 58,164 | 61,877 | 65,589 | 69,302 |
| Type 3 Base* | 60,034 | 63,866 | 67,698 | 71,530 |
| SET | 4,593 | 4,886 | 5,179 | 5,472 |
| TCC | 64,627 | 68,752 | 72,877 | 77,002 |
| Type 4 Base* | 66,038 | 70,253 | 74,468 | 78,683 |
| SET | 5,052 | 5,374 | 5,697 | 6,019 |
| TCC | 71,090 | 75,627 | 80,165 | 84,703 |
| Type 5 Base* | 72,041 | 76,640 | 81,238 | 85,836 |
| SET | 5,511 | 5,863 | 6,215 | 6,566 |
| TCC | 77,552 | 82,502 | 87,453 | 92,403 |

Table 2

2012 Minimum Total Clergy Compensation for Support Clergy

| Experience → □ | Assistant (0-6 years) | Associate (6+ years) | Senior Associate (12+ years) (Recommended) |
|--------------------------|----------------------------------|---------------------------------|-----------------------------------------------------------|
| Base* | 50,756 | 53,802 | 56,847 |
| SET | 3,883 | 4,116 | 4,349 |
| TCC | 54,639 | 57,917 | 61,196 |

*Base includes cash salary, housing allowance, housing equity allowance, and any other cash paid to the clergy, *excluding* Self-Employment Tax (SET) reimbursement.

NOTE: These tables reflect a 0% increase from 2011 levels. These tables represent **MINIMUM** compensation levels. A clergy person's Total Clergy Compensation (TCC) should be commensurate with his/her background, experience, responsibility, capability and the salaries in comparable fields. It is recommended that clergy be compensated an additional one percent (1%) per year for each additional year of service beyond the experience levels shown on these tables.

Table 3

New Hampshire Congregations by Type

| Congregation | Avg. Sunday Attendance | Line A Income | Income Points | Total Points |
|----------------------------------|------------------------|---------------|---------------|---------------|
| Type I (0-182 points) | | | | |
| Colebrook | 14 | \$19,426.00 | 19 | 33 |
| Lisbon | 13 | \$31,389.00 | 31 | 44 |
| Charlestown | 13 | \$34,343.00 | 34 | 47 |
| Woodsville | 19 | \$37,251.00 | 37 | 56 |
| Dunbarton | 29 | \$36,678.00 | 37 | 66 |
| Claremont - Union | 23 | \$49,402.00 | 49 | 72 |
| Ashland | 28 | \$49,101.00 | 49 | 77 |
| North Woodstock | 30 | \$47,129.00 | 47 | 77 |
| Pittsfield | 35 | \$55,138.00 | 55 | 90 |
| Tilton | 39 | \$63,673.00 | 64 | 103 |
| Berlin | 43 | \$61,713.00 | 62 | 105 |
| Newport | 35 | \$73,494.00 | 73 | 108 |
| Merrimack | 44 | \$77,356.00 | 77 | 121 |
| Weare | 52 | \$78,534.00 | 79 | 131 |
| Walpole | 31 | \$103,569.00 | 104 | 135 |
| Salem | 56 | \$88,005.00 | 88 | 144 |
| Manchester - St. Andrew | 51 | \$97,862.00 | 98 | 149 |
| Concord - Grace | 62 | \$96,154.00 | 96 | 158 |
| Hampton | 55 | \$106,807.00 | 107 | 162 |
| Claremont - Trinity | 41 | \$127,227.00 | 127 | 168 |
| Portsmouth - Christ | 60 | \$116,013.00 | 116 | 176 |
| Type II (183-271 Points) | | | | |
| Meredith | 58 | \$125,403.00 | 125 | 183 |
| Lancaster | 65 | \$125,858.00 | 126 | 191 |
| Durham | 66 | \$127,619.00 | 128 | 194 |
| Laconia | 71 | \$124,517.00 | 125 | 196 |
| North Conway | 79 | \$124,130.00 | 124 | 203 |
| Derry | 46 | \$159,023.00 | 159 | 205 |
| Plymouth | 70 | \$140,755.00 | 141 | 211 |
| Tamworth | 53 | \$174,949.00 | 175 | 228 |
| Sanbornville | 68 | \$149,246.00 | 149 | 217 |
| Hampstead | 95 | \$152,977.00 | 153 | 248 |
| Littleton | 77 | \$178,993.00 | 179 | 256 |
| Londonderry | 95 | \$171,041.00 | 171 | 266 |
| Milford | 88 | \$183,222.00 | 183 | 271 |
| Type III (272-452 Points) | | | | |
| Goffstown | 125 | \$172,726.00 | 173 | 298 |
| Dover | 121 | \$211,332.00 | 211 | 332 |
| Wolfeboro | 125 | \$320,196.00 | 320 | 445 |
| Type IV (453-633 Points) | | | | |
| Keene | 135 | \$336,628.00 | 337 | 472 |
| Hopkinton | 151 | \$332,105.00 | 332 | 483 |
| Manchester - Grace | 136 | \$353,604.00 | 354 | 490 |
| New London | 143 | \$385,511.00 | 386 | 529 |
| Peterborough | 173 | \$452,378.00 | 452 | 625 |
| Type V (634-915 Points) | | | | |
| Hanover | 186 | \$511,197.00 | 511 | 697 |
| Exeter | 226 | \$516,544.00 | 517 | 743 |
| Nashua | 325 | \$494,996.00 | 495 | 820 |
| Portsmouth - St. John | 306 | \$537,161.00 | 537 | 843 |
| Concord - St. Paul | 308 | \$606,771.00 | 607 | 915 |
| Total Points | 4,164 | | 8,619 | 12,783 |
| Average Per Congregation | 89 | | 183 | 272 |

- *Line A income figures in the table at left exclude Diocesan Aid received.*
- *Congregations listed in **bold italics** have changed categories since the 2011 edition of these guidelines. The listing indicates last year's category for that congregation.*
- *See page 7 of these guidelines for criteria by which the five type classifications shown were determined.*

Worksheet 1

Clergy Cost to Congregation

Purposes:

1. To determine Total Clergy Compensation (TCC) for comparison with Table 1 or 2.
2. To estimate Total Clergy Cost to Congregation for parish's annual budget.

This form must be completed and submitted to the Diocese with the Annual Parochial Report.

Clergy person _____ Congregation _____ Date _____

Percentage of time for which clergy person is to be compensated: _____

Person completing this worksheet _____

Phone _____ Email _____

| I. | Clergy Compensation | <u>2011</u> | <u>2012</u> |
|----|-------------------------------------------------------------------------------------------|-------------|-------------|
| A. | Cash Salary <i>(Excluding housing allowance, equity allowance, and SET offset)</i> | _____ | _____ |
| B. | Housing <i>(if clergy-provided)</i> : | | |
| | Housing Allowance | _____ | _____ |
| C. | Housing <i>(if church-provided)</i> : | | |
| | a) Fair Rental Value | _____ | _____ |
| | b) Utilities paid by congregation | _____ | _____ |
| | c) Equity Allowance <i>(if provided)</i> | _____ | _____ |
| | d) Housing Allowance <i>(if provided)</i> | _____ | _____ |
| D. | Travel compensation if a flat amount <i>(not recommended – see Expenses, I. above)</i> | _____ | _____ |
| E. | Sub-total | _____ | _____ |
| F. | SET <i>offset</i> (7.65% of line E) | _____ | _____ |
| | Total Clergy Compensation (TCC) | _____ | _____ |

II. Required Benefits

- A. Pension Premium (*as billed by CPF*¹) _____
- B. Health Insurance Premium _____
- C. Additional Life Insurance² _____
- Sub-total _____

III. Optional Benefits

- A. Retirement Savings Plan (see p. 20) _____
- B. Deferred Income Annuity (see p. 20) _____
- C. Dental Insurance _____
- Sub-total _____

Total Benefits (Required + Optional) _____

IV. Expenses

- A. Out-of-Pocket Business Expense _____
(including auto reimbursement at IRS Rate)
- B. Professional Support _____
- C. Continuing Education _____
- D. Refresher Leave Fund (Sabbatical) _____

Total Expenses _____

V. Adjustments to Housing Expenses for church-provided housing

- A. Subtract I.C.(a) - Fair Rental Value (_____) (_____)
- B. Add actual or projected costs of housing provided, e.g.
 - Mortgage **OR** _____
 - Rent _____
 - Property insurance _____
 - Property taxes **OR** _____
 - Payments in lieu of taxes _____
 - Utilities/services not included at I.C.(b) _____
 - Maintenance, repairs, improvements _____

Total Adjustments to Housing Expenses _____

Total Clergy Cost to Congregation (*sum of I. thru V.*) _____

¹ CPF's annual pension premium is 18% of TCC, but CPF values housing in a different way than Section I above, and, therefore, may use a different value for TCC in its pension calculations.

² In addition to the life insurance provided by CPF, the Diocese of New Hampshire requires an additional \$35,000 group term life insurance benefit for all parochial clergy.

Worksheet 2

Clergy Housing Allowance Resolution

The following is suggested wording for the vestry/bishop's committee minutes to designate the annual clergy housing allowance.

WHEREAS, ministers who own their home do not pay federal income taxes on the amount of compensation their employing church designates in advance as a housing allowance, to the extent that the allowance represents compensation for ministerial services, is used to pay housing expenses, and does not exceed the fair rental value of the home (furnished, plus utilities); and

WHEREAS, the Reverend _____, is compensated by _____ Church of _____, New Hampshire exclusively for services as a minister of the gospel; and

Insert one of the appropriate clause(s) shown in brackets:

[WHEREAS, _____ Church does not provide the Reverend _____ with housing;]

[WHEREAS, in consideration of his/her services as _____, _____ Church provides the Reverend _____ with rent-free housing, located at _____, _____, New Hampshire NH; and

WHEREAS, the Fair Rental Value of this property was determined to be \$_____ as of _____, 20____;]

BE IT RESOLVED that the total clergy compensation paid to the Reverend _____ for the calendar year 20____ shall be \$_____, of which \$_____ is hereby designated to be a housing allowance; and

BE IT FURTHER RESOLVED that the designation of \$_____ as a housing allowance shall apply to calendar year 20____ and all future years unless otherwise provided.

RESOLVED this _____ day of _____, 20_____.

Worksheet 3

Employee's Monthly Expense Report

Employee's Name _____ Date _____

I. Business Mileage & Transportation Expense (*does NOT include travel between home and the church*)

a) Personal auto business miles at current IRS reimbursement rate of _____ per mile \$ _____

b) Parking fees, tolls, local fares \$ _____

Total Business 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) Dry Cleaning and Laundry \$ _____

Total Travel Expense \$ _____

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 (*sum of Sections I-III*) \$ _____

*Receipts for expenses of \$75 or more MUST be accompanied by a receipt.
Receipts for expenses less than \$75 are requested.*

I certify that the expenses reported above are business expenses directly attributable to my ministry).

Signature _____

Worksheet 4

Documentation of Health Insurance Provided Outside the Diocesan Plan

In the Diocese of New Hampshire, it is the congregation's responsibility to provide health insurance for their clergy person(s) and his/her eligible family members. The only exception is when a clergy person is eligible to receive health insurance through a spouse/partner or retirement program.

Proof of this coverage is required to be obtained from the clergy person annually. Following is a suggested form for documenting proof of coverage.

In compliance with Diocesan Plan requirements, attached is a copy of my Health Insurance Card evidencing coverage outside the plan for the year 20____. The coverage is provided through my spouse/partner/retirement program (circle one).

[Insert copy of insurance card]

The following eligible family members are also covered by this plan:

Signature _____

Appendix 1

The Letter of Agreement

Introduction

The relationship between a rector/vicar and a vestry/bishop's committee 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 to avoid 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 part-time clergy, the various sections should be prorated. Letters of Agreement for priests-in-charge, support clergy, and interim priests vary from this example and are available from the Canon to the Ordinary.

The following is a model Letter of Agreement for rectors/vicars and is available electronically upon request.

LETTER OF AGREEMENT

Between

The Wardens and Vestry/Bishop's Committee of

_____ Episcopal Church
_____, *New Hampshire*

and

The Rev. _____

who has been called and elected by the vestry/bishop's committee and authorized as rector/vicar by the Bishop of New Hampshire, with the understanding that this tenure is to continue until dissolved by mutual consent or by arbitration and decision as provided by the Canons of the Diocese of New Hampshire and Title III, Canon 9, Section 13 of the Episcopal Church of the United States of America Canons – 2009.

PREAMBLE

The rector/vicar 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, and the Constitution and Canons of the General Convention and of our Diocese, the rector/vicar 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.

Section A – COMPENSATION

1. The rector/vicar's cash compensation will be \$_____ per annum commencing on _____, 20___. The parties agree that the rector/vicar's Total Clergy Compensation (TCC) will equal \$_____ including SET. Please note: TCC = cash compensation + ½ Self Employment Tax (SET)¹. The rector/vicar's TCC shall be adjusted annually in accordance with Clergy Compensation and Benefit Guidelines of the Diocese.
2. Housing (*select Option A or Option B as appropriate*)

Option A – Rector/Vicar will not live in a Rectory

The vestry/bishop's committee agrees to adopt annually the necessary resolution required by the Internal Revenue Service designating that portion of the TCC shown as a housing allowance within the meaning of Section 1.107 of the IRS Code.

Option B – Rector/Vicar will be living in a Rectory

The rector/vicar and [his/her] family will be living in the church-owned rectory. The vestry/bishop's committee will be responsible for the following expenses:

- a. Insurance (and property taxes, if any) on the property;
- b. Maintenance or replacement of the following appliances [specify, such as refrigerator, dishwasher, etc.];
- c. Maintenance of the structure(s), renovations or capital improvements;
- d. [Specify utilities, such as heat, light, water, etc.];
- e. [Specify other responsibilities].

The rector/vicar and [his/her] family are responsible for good stewardship in regard to the care of the rectory and will remain responsible for the general care and upkeep such as [specify particular responsibilities].

The rector/vicar is expected to present an annual report to the vestry on the condition of the rectory, with particular attention to items requiring maintenance.

Section B - BENEFITS

1. The vestry/bishop's committee will pay the following premiums as required by the diocese:
 - a. Pension Fund payments in compliance with the requirements of The Episcopal Church Pension Fund. This assessment is based on the rector/vicar's TCC.
 - b. Life insurance premiums on the rector/vicar, in accordance with the Diocesan Policy described on pages 19 and 20 of the Clergy Compensation and Benefit Guidelines.

¹ Specify other compensation received by the rector/vicar that is included as TCC. Consult the Diocesan Clergy Compensation Guidelines, p. 11.

- c. Health insurance premiums for the rector/vicar [and family] in compliance with the Diocesan Policy described on page 18 of the Clergy Compensation and Benefit Guidelines.
2. The vestry/bishop's committee will provide the following additional benefits (*specify other benefits, e.g. dental, other insurance, etc.*).
 3. In the event of a total and permanent disability of the rector/vicar or in case of the death of the rector/vicar, the following agreements apply:
 - a. Regarding compensation: cash stipend equal to _____ month's salary per year of service, up to a maximum of \$_____. The rector or surviving spouse/partner will be responsible for any tax consequences associated with this cash stipend.
 - b. Regarding housing: _____ month(s) in church-provided housing or _____ month's housing allowance, to be negotiated by the vestry, wardens and the rector/vicar, or rector/vicar spouse or other designee.

Section C - EXPENSES

In the Diocese of New Hampshire vestries/bishop's committees agree to pay for the following expenses incurred by rectors/vicars in fulfilling their professional duties:

1. **Relocation:** The cost of moving the rector's/vicar's family and household goods when the initial call has been accepted. Suggested language for the Letter of Agreement is:

All reasonable and documented moving and travel expenses of the rector/vicar-elect and family in making the move from _____ to the _____, NH area will be paid by _____ Church, _____, NH. The rector/vicar-elect will obtain a minimum of two written moving estimates. The rector/vicar-elect and vestry/bishop's committee will mutually agree upon the moving contractor.
2. **Automobile:** The vestry/bishop's committee agrees to provide the rector/vicar with: (*specify whether the rector/vicar will receive (1) mileage reimbursement and, if so the rate of reimbursement, (2) an annual allowance, or (3) an automobile.*)
3. **Communications:** The vestry/bishop's committee agrees:
 - a. To provide a telephone in the rector/vicar's office and study. The rector/vicar will pay the cost of all personal long distance calls.
 - b. All postage for church business will be included in the parish budget.
 - c. To pay the cost of any church-related telephone calls on the rector/vicar's home phone. This telephone number will be published to insure the rector/vicar's ready accessibility in case of all emergencies.
4. **Office:** All necessary office furniture, equipment and supplies will be paid by the parish, the amount to be established in the annual budget.

5. Guests and Hospitality: The rector/vicar will be reimbursed for the reasonable costs of hospitality and entertainment on behalf of the congregation, the amount to be established in the annual budget.
6. Professional Support: Includes cost of books, periodicals, association dues, annual diocesan Winter Gathering for clergy and spouses/partners, and professional expenses.
7. Continuing Education: The amount of \$300 (minimum for Type I & II) and \$500 (minimum for Types III, IV & V) annually is to support the rector's/vicar's continuing education. The rector/vicar is expected to make an annual report to the vestry/bishop's committee, congregation and Bishop on his/her continuing education work.
8. Supply Clergy: The cost of supply clergy and pastoral services when the rector/vicar is absent from the congregation is established in the annual budget. The rector/vicar shall be responsible for the cost of Supply Clergy if the rector/vicar is absent from the congregation for more than the time allotted for leave in Section D – LEAVE TIME for reasons other than illness or church-related duties or appointments.

Section D - LEAVE TIME

The vestry/bishop's committee agrees that the rector/vicar shall have the following periods of leave at full pay:

1. _____ weeks' vacation per year, including _____ Sundays, plus _____.¹
2. _____ weeks per year, in addition to vacation leave time, for continuing education and career development.
3. Paid Clergy Refresher Leave in accordance with the guidelines of the diocese. It is expected that clergy of the diocese will take a Clergy Refresher Leave of three months after each 5-7 years of continuous service to the congregation.
4. The rector/vicar is expected and encouraged to participate in convocation, diocesan and national church responsibilities as well as community endeavors. Time given to such work shall be understood as an integral part of the rector/vicar's ministry in the parish.
5. All other leaves, including maternity/paternity leave, bereavement leave, and jury duty, as outlined in sections J. and K. of the Diocesan Clergy Compensation Guidelines.²

Section E - SUPPLEMENTARY COMPENSATION

1. Honoraria received at the time of funerals of non-members of the congregation shall go to the rector/vicar.

¹ Specify additional leave, e.g., amount of time after Christmas, amount of time after Easter, and amount of other time as agreed upon with the wardens and vestry/bishop's committee.

² Consult Diocesan Clergy Compensation Guidelines, p. 21.

2. Honoraria at the time of sacramental service for active and non-active members of the congregation shall go to the rector/vicar discretionary fund.
3. No fees will be accepted for counseling services provided by the rector/vicar to members of _____ congregation. The rector/vicar and the vestry/bishop's committee together may determine limits or numbers of counseling sessions before referral.
4. It is expected that fees and honoraria for professional services performed on the rector/vicar's personal time for individuals or groups unrelated to _____ Church, or for sermons, books or articles published outside of the congregation will become part of the rector/vicar's private income.

Section F - USE OF BUILDINGS

In addition to the use and control of the church and congregation buildings for the discharge of duties of the rector/vicar office as provided by Title III, Canon 9, Section 5(a)(2) of the Episcopal Church of the United States of America Canons – 2009, the rector/vicar shall have the right to grant use of the buildings to individuals or groups from outside the congregation, following guidelines approved by both the rector/vicar and the vestry/bishop's committee.

Section G - DISCRETIONARY FUND

A Discretionary Fund is established under the rector/vicar's sole control according to Title III, Canon 9, Section 5(b)(6), of the Episcopal Church of the United States of America Canons – 2009.

At _____ Church, _____, NH, the rector/vicar Discretionary Fund is funded by:

_____.

Section H - RESPONSIBILITIES

Responsibilities of the Rector/Vicar:

1. The rector/vicar's responsibility to the vestry/bishop's committee is to assume the rector/vicar responsibilities defined by the vestry/bishop's committee and rector/vicar search committee on _____ at the search retreat, as follows:
 - a.
 - b.
 - c.
 - d.

2. The vestry/bishop's committee understands the rector/vicar's duties and priorities for the work of ordained ministry to be:
 - a. The conduct of Worship and Rites of the Church as outlined for worship in Title III, Canon 9, Section 5, and for music in Title II, Canon 5 of the Episcopal Church of the United States of America Canons–2009, and effective preaching of the Word of God.
 - b. The pastoral care of the congregation, including short-term pastoral counseling, calling, and visiting.
 - c. The chairing of vestry/bishop's committee meetings and participation in committee meetings of the congregation.
 - d. The management of the administrative work of the congregation and staff.
 - e. The Christian education of all persons including their understanding of stewardship responsibilities as outlined in Title III, Canon 9, Section 5(b)(1) through (4) of the Episcopal Church of the United States of America Canons – 2009.
 - f. Service to the greater church and community especially through work with and on behalf of the diocese and the national church.
 - g. Regular contact with all members of the congregation in the ordination process.

3. The rector/vicar is to set a Christian example in prayer, study, family and personal life. In any case, the congregation will treat the rector/vicar with the same sense of forgiveness, reconciliation and understanding that is afforded any Christian.

4. The rector/vicar, in consultation with the vestry/bishop's committee, will have the final say in the hiring/dismissal of all staff, professional, compensated and volunteer.

Responsibilities of the Vestry/Bishop's Committee:

1. The vestry/bishop's committee and rector/vicar agree to review the ministry of the congregation on or about one year from the rector/vicar's assumption of duties and ordained leadership of the congregation. Subsequently, periodic reviews (*i.e. at least every three years*) will be scheduled. This is a responsibility of the vestry/bishop's committee shared with the rector/vicar.
2. The vestry/bishop's committee's responsibilities to the rector/vicar are:
 - a. The vestry/bishop's committee is to support the rector/vicar by understanding and supporting mutually agreed upon duties and objectives of and for the congregation, and by helping to interpret the same to the congregation.
 - b. The vestry/bishop's committee is to be responsive to input and suggestions from the congregation.
 - c. The vestry/bishop's committee is to retreat annually with the rector/vicar for the purpose of prayer, planning and review.
 - d. Vestry/bishop's committee members are expected to attend vestry/bishop's committee meetings in accordance with parish by-laws and act in accordance with Title I, Canon 14, Sections 1 and 2 of the Episcopal Church of the United States of America Canons – 2009 and with the canons of the Diocese of New Hampshire.
 - e. The vestry/bishop's committee members will serve on other committees of the parish in support of the mutual ministry of the congregation.
 - f. The vestry/bishop's committee is to enter wholeheartedly into the work of the congregation and to set an example in attendance, and in the giving of time, talent and treasure.

Section I - MUTUAL MINISTRY REVIEW

The rector/vicar and vestry/bishop's committee will review the ministry of the congregation on or about one year from the rector/vicar's assumption of his/her duties on the basis of goals and expectations set at the time of the call of the new rector/vicar. Subsequently, Mutual Ministry Reviews will be scheduled at least every third year. These reviews will cover the following:

- **What** are the mission and goals of the parish as presently understood?
- **What** are the roles and tasks of the parish leaders (rector/vicar, vestry/bishop's committee members, and others) in accomplishing the goals?
- **How** well have the previously set goals been met?
- **What** goals and expectations will be set for the next period in the life of the congregation?

The purpose of these reviews is to:

1. Isolate areas of conflict or disappointment, which have not received adequate attention and may be adversely affecting the mutual ministry.
2. Clarify expectations of all parties to help put any future conflicts into manageable form.

Section J - REVISION

Total Clergy Compensation (TCC) Benefits and Expenses:

The rector/vicar's TCC, benefits and expenses will be reviewed for adjustment and/or merit increase by the vestry/bishop's Committee annually.

Letter of Agreement:

The Letter of Agreement will be reviewed annually and revised with the mutual consent of the rector/vicar and the vestry/bishop's committee with an update sent to the bishop for review and approval on or before March 1 of each year.

Section K - STATEMENT OF NON-DISCRIMINATION

In accordance the policies of the Diocese of New Hampshire and The Episcopal Church, the congregation will not discriminate on the grounds of age, race, color, national origin, gender, sexual orientation, marital status, or disability.

Section L - OTHER AGREEMENTS

1. The rector/vicar-elect will participate fully in the two-year clergy "Fresh Start" program of the Diocese of New Hampshire.
2. This Letter of Agreement shall be made part of the minutes of the vestry/bishop's committee meeting following its signing. A copy will be available in the church office for review by members of the congregation upon request.
3. If the rector/vicar and the vestry/bishop's committee are in disagreement concerning interpretation of this Letter of Agreement, either party may appeal for mediation to the bishop or his designee, the bishop remaining the final arbiter.

| | | | |
|--------------------|--------------------------------|-------------|-------|
| Rector/Vicar-elect | _____ | Date | _____ |
| Senior Warden | _____ | Date | _____ |
| Junior Warden | _____ | Date | _____ |
| Clerk | _____ | Date | _____ |
| Treasurer | _____ | Date | _____ |
| Approved: | _____ | Date | _____ |
| | <i>Bishop of New Hampshire</i> | | |

Appendix 2

Mutual Ministry Review

The Diocese expects that the clergy, wardens and vestry/bishop's committee agree to a program of establishing goals, and that a mutual review of the total ministry of the congregation be done every third year. This begins with the establishment of objective, verifiable goals for leadership of the congregation, both clergy and lay, for the ensuing year. Goal-setting may be part of the annual vestry/bishop's committee retreat, or may be a separate event in the life of the leadership. It is recommended that the leadership of the congregation review the progress of the goals, and identify areas where mutual support and more work or effort is needed in order to achieve the desired results.

At least every third year the congregation is expected to do an extensive review of its short-term mission and goals. The purpose of the Mutual Ministry Review is to:

1. Provide the clergy, wardens and vestry/bishop's committee with opportunities to celebrate how well they have fulfilled their responsibilities to each other and the ministry they share.
2. Recognize areas of successful mutual ministry.
3. Identify areas of conflict or disappointment.
4. Clarify expectations of all parties so that future ministry will be more successful.
5. Help the congregation to understand that the financial, physical and spiritual well-being of the clergy person's household is an essential part of their mutual ministry.

The Diocese of New Hampshire has been a pioneer in developing a format for Mutual Ministry Reviews. Clergy and vestries/bishop's committees are encouraged to contact the Canon to the Ordinary for a model and necessary information on how to conduct a Mutual Ministry Review.

Appendix 3

Definition of a “Domestic Partner”

A “Domestic Partner” is an adult who is competent to contract and who is living with a clergy person of the same gender in a committed, mutual monogamous relationship which is intended to be life-long and which has been recognized by the bishop.

A domestic partner shall not be related by blood to the member of the clergy with whom he/she lives closer than would be allowed in legal marriage in the state in which they reside. Domestic partners shall be jointly responsible for the common welfare and financial obligations of one another. Clergy wishing to establish a same gender partnership must obtain the Bishop’s approval prior to entering said partnership. Clergy living in a same gender domestic partnership shall have all the rights and privileges of traditional marriage, to the extent allowed under the Canons of the Episcopal Church and the Laws of New Hampshire. Inasmuch as persons living in opposite gender domestic partnerships have all the rights and privileges of marriage allowed under state law, the Bishop will not approve of the establishment of opposite gender domestic partnerships otherwise than as provided in Holy Matrimony.

Appendix 4

Discretionary Fund Guidelines

The Canons of the Episcopal Church of the United States of America – 2009 provide for the establishment and funding of clergy Discretionary Funds. Such funds are intended to enable clergy to respond confidentially to particular needs of which they have knowledge. Title III, Canon 9, Section 5(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 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.

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, vestments, hospitality expenses for church members or church employees are either reimbursable expenses or business expenses that are deductible on the clergy person's Form 1040, 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 clergy person. 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 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." This way of collecting funds is considered by the Internal Revenue Service as circumventing the payment of income tax based on the reasoning that if a person gave a check directly to John Smith, it would be a good deed, but it would not be tax deductible.

For specific guidelines concerning appropriate sources and uses of Discretionary Funds, accounting and recordkeeping requirements, and tax consequences, refer to the Manual of Business Methods in Church Affairs, Chapter V, Clergy Discretionary Funds. The manual was prepared by The Episcopal Church and can be downloaded from www.episcopalchurch.org/documents/MANUAL_2009.pdf.

Appendix 5

Church Pension Fund Definitions of Clergy Compensation

As a basis for pension assessment, compensation consists of four categories:

1. Cash Salary – The stipend paid, including bonuses, fees, one-time cash payments, tuition paid for dependents, severance and any salary reduction used to fund an annuity or other tax-deferred account, such as a TSA, Retirement Savings Plan (RSVP) or 403(b) plan.
2. Housing Allowance – The compensation paid for this purpose and how it is provided.

If housing is provided rent-free, the housing allowance is assumed at 30% of the total of cash stipend, self-employment tax reimbursements, and utilities.

If both housing and meals are provided free of charge, the housing allowance is assumed at 40% of the total of cash stipend, self-employment tax reimbursements, and utilities.

If the clergy person receives an equity allowance, the housing allowance is the actual dollar amount of the equity allowance.

If housing is provided rent-free and an additional cash housing allowance or equity allowance is paid, the value of the provided housing for pension purposes is calculated at 30% of the total of cash stipend, self-employment tax reimbursements, and utilities. Thus, the total compensation is equal to the calculated value of the housing, plus the actual cash housing allowance or equity allowance, plus other cash compensation.

If you receive compensation from more than one church employer, but only one provides housing, compensation from all of your qualified employers is assessed for a proportionate share of your housing.

3. Self-Employment Tax Reimbursement – Any payments given to the clergy person to offset the cost of self-employment taxes in accordance with the Self-Employment Contributions Act (SECA).
4. Utilities – Any amount the clergy person receives to cover the cost of utility bills, such as fuel, gas, and electricity, or the amount the Parish pays for utilities on behalf of the clergy person.

Sample Form 1

Sample Form W-2 with Instructions

| | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| a Employee's social security number 123-45-6789 | | Safe, accurate, FAST! Use Visit the IRS website at www.irs.gov/efile. | |
| b Employer identification number (EIN) 84-1234567 | | 1 Wages, tips, other compensation 39527.00 | 2 Federal income tax withheld 9385.00 |
| c Employer's name, address, and ZIP code ST. SWITHIN'S EPISCOPAL CHURCH 2001 VESPER LANE WHITE MOUNTAIN, NH 03000 | | 3 Social security wages | 4 Social security tax withheld |
| | | 5 Medicare wages and tips | 6 Medicare tax withheld |
| | | 7 Social security tips | 8 Allocated tips |
| d Control number | | 9 Advance EIC payment | 10 Dependent care benefits |
| e Employee's first name and initial Last name Suffix. ROBERT S. SMITH 1234 CHURCH STREET WHITE MOUNTAIN, NH 03000 | | 11 Nonqualified plans | 12a See instructions for box 12 |
| | | 13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | 12b |
| | | 14 Other CLERGY HOUSING ALLOWANCE 15000.00 | 12c |
| | | | 12d |
| f Employee's address and ZIP code | | 15 State Employer's state ID number | 16 State wages, tips, etc. |
| | | 17 State income tax | 18 Local wages, tips, etc. |
| | | 19 Local income tax | 20 Locality name |

Form **W-2** Wage and Tax Statement

2009

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

| DESCRIPTION | AMOUNT | W-2 REPORTING | COMMENTS |
|---------------------------------------------------------------------|-----------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cash Compensation | 35,000.00 | Box 1 | Always include in Box 1. |
| Housing Allowance | 15,000.00 | Box 14 | Never report in Box 1; IRS considers this box optional, but its use is highly recommended. |
| SET Reimbursement | 3,825.00 | Box 1 | Always include in Box 1. |
| Bonus | 475.00 | Box 1 | Always include in Box 1. |
| Reimbursement of Ministry Expenses (mileage, etc.) | | Not reported on W-2 | If the clergy person accounts for his or her expenses, reimbursement is not income, and is not reportable on W-2. See "Expenses" on p.24. |
| Federal Withholding | 9,385.00 | Box 2 | Clergy are not subject to mandatory withholding. If the clergy person elects voluntary withholding, report in Box 2, not Box 4 or 6. |
| Elective Contributions to a Tax-Sheltered Annuity or 403(b) plan) * | | Box 12a (Code "E") Also check Box 13 "Retirement Plan" | Contributions to a 403(b) plan such as the Church Pension Fund's RSVP (see p. 20) are not subject to self-employment tax. |
| Medical Insurance Premiums Paid by Church | | Not reported on W-2 | Tax-free fringe benefit if paid by church |
| Term Life Insurance Premiums Paid by Church | 227.00 | Box 1 - Calculated value of policies in excess of \$50,000 | The Church Pension currently provides \$100,000 term life for active clergy and the Diocese provides an additional \$35,000 (see p. 20). The clergy person will receive a notice from the Finance Officer of the proper amount to include in Box 1. |

*Note: A housing equity allowance paid in cash would be reported in Box 1.

Sample Form 2a

Worksheet 1

Clergy Cost to Congregation for Clergy with Housing Allowance

Clergy person Robert S. Smith Congregation St. Swithin's Date 11/30/2011

Percentage of time for which clergy person is to be compensated: 100%

Person completing this worksheet Robert S. Smith

Phone 603-555-0000 Email robert.s.smith@episcopal.com

| I. Clergy Compensation | <u>2011</u> | <u>2012</u> |
|------------------------------------------------------------------------------------------------|------------------------|------------------------|
| A. Cash Compensation <i>(Excluding housing allowance, equity allowance, and SET offset)</i> | <u>\$35,000</u> | <u>\$36,050</u> |
| B. Housing <i>(if clergy-provided)</i> : | | |
| Housing Allowance | <u>\$15,000</u> | <u>\$15,450</u> |
| C. Housing <i>(if church-provided)</i> : | | |
| a) Fair Rental Value | _____ | _____ |
| b) Utilities paid by congregation | _____ | _____ |
| c) Equity Allowance <i>(if provided)</i> | _____ | _____ |
| d) Housing Allowance <i>(if provided)</i> | _____ | _____ |
| D. Travel compensation if a flat amount <i>(not recommended – see EXPENSES, I. above)</i> | _____ | _____ |
| E. Sub-total | <u>\$50,000</u> | <u>\$51,500</u> |
| F. SET offset (7.65% of line E) | <u>\$ 3,825</u> | <u>\$ 3,940</u> |
| Total Clergy Compensation (TCC) | <u>\$53,825</u> | <u>\$55,440</u> |

| II. Required Benefits | | |
|----------------------------------------------------------|-----------------|-----------------|
| A. Pension Premium <i>(as billed by CPF¹)</i> | <u>\$ 9,688</u> | <u>\$ 9,979</u> |
| B. Health Insurance Premium | <u>\$11,585</u> | <u>\$12,500</u> |
| C. Additional Life Insurance ² | <u>\$ 227</u> | <u>\$ 240</u> |
| Sub-Total | <u>\$21,500</u> | <u>\$22,719</u> |

¹ CPF's annual pension premium is 18% of TCC, but CPF values housing in a different way than Section I above, and, therefore, may use a different value for TCC in its pension calculations.

² In addition to the life insurance provided by CPF, the Diocese of New Hampshire requires an additional \$35,000 group term life insurance benefit for all active clergy.

Sample Form 2a (continued)

III. Optional Benefits

| | | | |
|---------------------------------------------|-------------------------------------|------------------------|------------------------|
| A. | Retirement Savings Plan (see p. 20) | _____ | _____ |
| B. | Deferred Income Annuity (see p. 20) | _____ | _____ |
| C. | Dental Insurance | _____ | _____ |
| | Sub-Total | _____ | _____ |
| Total Benefits (Required + Optional) | | <u>\$21,500</u> | <u>\$22,719</u> |

IV. Expenses

| | | | |
|-----------------------|-------------------------------------------------------------------------------------|------------------------|------------------------|
| A. | Out-of-Pocket Business Expense <i>(Including auto reimbursement at IRS Rate)</i> | <u>\$ 2,400</u> | <u>\$ 2,500</u> |
| B. | Professional Support | <u>\$ 300</u> | <u>\$ 300</u> |
| C. | Continuing Education | <u>\$ 500</u> | <u>\$ 500</u> |
| D. | Refresher Leave Fund (Sabbatical) | <u>\$ 1,000</u> | <u>\$ 1,000</u> |
| Total Expenses | | <u>\$ 4,200</u> | <u>\$ 4,300</u> |

V. Adjustments to Housing Expenses for church-provided housing

| | | | |
|---------------------------------------------------------------------|---------------------------------------------------------|------------------------|------------------------|
| A. | Subtract I.C.(a) - Fair Rental Value | (_____) | (_____) |
| B. | Add actual or projected costs of housing provided, e.g. | | |
| | Mortgage or Rent | _____ | _____ |
| | Property insurance | _____ | _____ |
| | Property taxes OR | _____ | _____ |
| | Payments in lieu of taxes | _____ | _____ |
| | Utilities/services not included in I.C.(b) | _____ | _____ |
| | Maintenance, repairs, improvements | _____ | _____ |
| Total Adjustments to Housing Expenses | | _____ | _____ |
| Total Clergy Cost to Congregation <i>(sum of I. thru V.)</i> | | <u>\$79,525</u> | <u>\$82,459</u> |

Sample Form 2b

Worksheet 1

Clergy Cost to Congregation for Clergy with Church-Provided Housing

The worksheet below assumes the same compensation levels as indicated in Sample Form 2a on p. 47-48.

Clergy person Robert S. Smith Congregation St. Swithin's Date 11/30/2011

Percentage of time for which clergy person is to be compensated: 100%

Person completing this worksheet Robert S. Smith

Phone 603-555-0000 Email robert.s.smith@episcopal.com

| I. Clergy Compensation | <u>2011</u> | <u>2012</u> |
|------------------------------------------------------------------------------------------------|--------------------|--------------------|
| A. Cash Compensation <i>(Excluding housing allowance, equity allowance, and SET offset)</i> | <u>\$35,000</u> | <u>\$36,050</u> |
| B. Housing <i>(if clergy-provided)</i> : | | |
| Housing Allowance | _____ | _____ |
| C. Housing <i>(if church-provided)</i> : | | |
| a) Fair Rental Value | <u>\$12,075</u> | <u>\$12,440</u> |
| b) Utilities paid by congregation | <u>\$ 2,925</u> | <u>\$ 3,010</u> |
| c) Equity Allowance <i>(if provided)</i> | _____ | _____ |
| d) Housing Allowance <i>(if provided)</i> | _____ | _____ |
| D. Travel compensation if a flat amount <i>(not recommended – see EXPENSES, .I. above)</i> | _____ | _____ |
| E. Sub-total | <u>\$50,000</u> | <u>\$51,500</u> |
| F. SET offset (7.65% of line E) | <u>\$ 3,825</u> | <u>\$ 3,940</u> |
| Total Clergy Compensation (TCC) | <u>\$53,825</u> | <u>\$55,440</u> |

| II. Required Benefits | | |
|----------------------------------------------------------|-----------------|-----------------|
| A. Pension Premium <i>(as billed by CPF¹)</i> | <u>\$ 9,688</u> | <u>\$ 9,979</u> |
| B. Health Insurance Premium | <u>\$11,585</u> | <u>\$12,500</u> |
| C. Additional Life Insurance ² | <u>\$ 227</u> | <u>\$ 240</u> |
| Sub-Total | _____ | _____ |

¹ CPF's annual pension premium is 18% of TCC, but CPF values housing in a different way than Section I above, and, therefore, may use a different value for TCC in its pension calculations.

² In addition to the life insurance provided by CPF, the Diocese of New Hampshire requires an additional \$35,000 group term life insurance benefit for all parochial clergy.

Sample Form 2b (continued)

III. Optional Benefits

| | | | |
|---------------------------------------------|-------------------------------------|------------------------|------------------------|
| A. | Retirement Savings Plan (see p. 20) | _____ | _____ |
| B. | Deferred Income Annuity (see p. 20) | _____ | _____ |
| C. | Dental Insurance | _____ | _____ |
| | Sub-Total | _____ | _____ |
| Total Benefits (Required + Optional) | | <u>\$21,500</u> | <u>\$22,719</u> |

IV. Expenses

| | | | |
|-----------------------|-------------------------------------------------------------------------------------|------------------------|------------------------|
| A. | Out-of-Pocket Business Expense <i>(Including auto reimbursement at IRS Rate)</i> | <u>\$ 2,400</u> | <u>\$ 2,500</u> |
| B. | Professional Support | <u>\$ 300</u> | <u>\$ 300</u> |
| C. | Continuing Education | <u>\$ 500</u> | <u>\$ 500</u> |
| D. | Refresher Leave Fund (Sabbatical) | <u>\$ 1,000</u> | <u>\$ 1,000</u> |
| Total Expenses | | <u>\$ 4,200</u> | <u>\$ 4,300</u> |

V. Adjustments to Housing Expenses for church-provided housing

| | | | |
|---------------------------------------------------------------------|---------------------------------------------------------|---------------------------|---------------------------|
| A. | Subtract I.C.(a) - Fair Rental Value | <u>(\$12,075)</u> | <u>(\$12,440)</u> |
| B. | Add actual or projected costs of housing provided, e.g. | | |
| | Mortgage <i>OR</i> | _____ | _____ |
| | Rent | _____ | _____ |
| | Property insurance | <u>\$ 560</u> | <u>\$ 625</u> |
| | Property taxes <i>OR</i> | _____ | _____ |
| | Payments in lieu of taxes | _____ | _____ |
| | Utilities/services not included in I.C.(b) | <u>\$ 450</u> | <u>\$ 500</u> |
| | Maintenance, repairs, improvements | <u>\$ 700</u> | <u>\$ 750</u> |
| Total Adjustments to Housing Expenses | | <u>(\$10,365)</u> | <u>(\$10,565)</u> |
| Total Clergy Cost to Congregation <i>(sum of I. thru V.)</i> | | <u>\$69,160</u> | <u>\$71,894</u> |