The Diocese of Virginia
Compensation and Benefit Guidelines
Updated September 30, 2024

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Cost of Living Adjustment and Salary Increases

Each year the Treasurer's office reports an annual suggested increase in compensation for church employees in the Diocese of Virginia. The number is the the prior twelve month change in the Consumer Price Index published by the Unites States Bureau of Labor Statistics, as of August 31. This year the suggested minimum cash compensation increase for Diocese of Virginia employees for 2025 is **+2.53**%.

The median total compensated income for a clergy person in Virginia, using data published by the Church Pension Group, is **$88,488**.

While the suggested compensation increase is derived from nationwide data, wardens and vestries should consider the cost of living in their specific area as well as the size of a congregation and the complexity of operations for which an ordained employee might have responsibility. The 2023 Episcopal Clergy Compensation Report published by the Church Pension Group offers an analysis of clergy compensation in the wider church across several individual, church, and geographical categories. Additionally, the Transition Minister and Treasurer's office can assist in creating a more precise peer analysis.

Notwithstanding the above-noted COLA recommendation, in some cases vestries will wish to recognize excellence in leadership by their clergy or lay employees. In these instances, and those where salaries trail suggested minimums, increases ought to be considered and offered. Such increases serve both to reward excellent service in the past and to encourage the same in the future.

Clergy – Part-Time

These guidelines are generally designed for full-time employees in the Diocese of Virginia, but it is understood that there are many part-time positions supporting much needed ministries. While calculating the total cost of a part-time package, all facets of compensation need to be considered. **For example**, compensation and benefits for a **three-quarter time** clergy position might entail the following:

a. 75% of the full-time median cash salary for years of experience.
b. The fair rental value housing allowance or provision of a rectory; but the fair market value as defined is the cap, not 75% of the fair-market value.
c. SECA reimbursement, explained below, of 7.65% of the sum of cash salary and housing (plus utilities) allowance.
d. Pension premium amounting to 18% of the total of salary, housing allowance, and SECA. A discussion of all elements of Total Assessable Compensation is located in the Retirement section of the Church Pension Group web site. .
e. Health Insurance with the minimum standard being in accord with actions of General Convention requiring clergy working more than 1,500 hours per year (three-quarter time),

be provided health insurance. Such provision will be in concert with the parity model as developed by the Diocese of Virginia.

f. Negotiable items include: Dental Insurance, Long-term Disability Insurance, Life Insurance, a budgeted amount for travel, a budgeted amount for continuing education and an agreement on paid versus unpaid leave.

While there is a canonical requirement for the payment of pension for (almost) all clergy, if a clergy person functions at a rate such as half-time, or one-quarter time, it is expected that commensurate compensation and benefits will be provided.

Clergy – Housing

Housing Designation Overview and Vestry Duties

The diocesan guideline for an designation for housing and utilities was established in 1985. The "parsonage allowance" as it is called by the IRS, must conform to the tax code. The Clergy Housing Allowance Clarification Act of 2002 made clear the tax code in terms of the "fair rental value" test for those clergy who own their own home. Clergy should consult their financial advisor and/or accountant in the decision-making process for the housing allowance and alert their vestry of the amount to be designated for the following year.

The fair rental value of a fully furnished home, plus utilities, is the target amount to be established to reflect the cost of either clergy-owned or church-provided housing. The new act voids the decision in Warren v. Commissioner [TC 23 (2000)], which had reversed the test referenced above and which had modified Section 107 of the Internal Revenue Code. Section 107 of the IRC, up until the Warren case in 2000, had been unaltered since 1971.

The housing designation, or the "parsonage allowance", is not subject to income tax, but is subject to self-employment tax. When the term "housing/parsonage allowance" is used, it is meant to include housing, utilities, furnishings, etc. Even though clergy receive a tax benefit from the housing allowance, they are still allowed to deduct mortgage interest and real estate taxes as itemized deductions. The housing designation is reported in Box 14 of the W-2, which is an information only box, and noted as "Section 107 Allowance - $XXX,XXX".

The allowance must still be church designated (typically prior to beginning of the next fiscal year), and this must be done in advance of the allowance being taken for each employed priest, meaning that it cannot be acted upon retroactively to suit a specific situation. Clergy and churches are encouraged to discuss any needed amendments for the current year and plan for the allocation for future years, and to remember that a housing resolution is prospective in nature and cannot look backward prior to the point of revision. Sample housing resolutions are in the Compensation Guidelines section of the diocesan web site.

The vestry should periodically review the amount to make sure only allowable costs are considered and that the designated amount is within reason. The vestry should be familiar with the terms of what the limits are in considering the fair rental value, fully furnished with utilities, for such a residence.

At the time of a cleric's death, the parsonage allowance terminates for the surviving spouse from that point forward. For the surviving non-clergy spouse, the parsonage allowance will be pro-rated for tax purposes for the year in which the clergy spouse dies.

Housing – Clergy Couples

Clergy couples are limited to the equivalent of <u>one</u> housing allowance between the two incomes. In this instance, clergy need to be mindful of the amount requested by each spouse in the annual housing allowance resolution of their respective Episcopal Church employer.

If either spouse has access to a 403b retirement plan, such as the RSVP plan through the Church Pension Group, use of the aggregate housing allowance being split between a clergy couple can maximize the use of such a plan. 403b plans do not count the housing/parsonage allowance in the base for computation, so sharing the allowance properly can maximize use of the plan. Clergy should consult their financial advisor and/or accountant in the decision-making process for the housing allowance.

Shared Equity

The use of a "shared equity" arrangement can be a tool in negotiating a Letter of Agreement (LOA). If such an agreement is used, it must be part of the LOA (or a revised LOA) agreed to by the cleric and vestry. In short, "shared equity" means that the clergy person and the church will be partial owners of a purchased residence. This is a legal contractual arrangement, and the use of a real estate attorney is recommended to make sure that titling is appropriate for Virginia.

As a result of this split ownership, this property is not absolutely church-owned, and <u>does not</u> qualify to be free of property tax.

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 equally). As this is typically done to facilitate down payments, it is common to have a buy-out provision after a specific time (typically three to five years), giving the clergy person the ability to repay the church its proportionate share of the current market value and therefore own the house outright.

If you have question on this topic, please call the diocesan Office of the Treasurer.

Equity Fund/Equity Allowance

Clergy should keep in mind that this is an <u>optional agreement</u>, and not an entitlement. Church leaders should keep in mind the use of an equity fund to attract, reward and retain excellence.

For clergy who reside in church-owned housing, vestries may consider the use of a housing allowance equity fund. This could be accomplished by using a 403b product, such as the RSVP product of the Church Pension Fund. This benefits the clergy in that such a fund provides some manner of a substitute for the appreciation of owning a home in the area served. The use of such a fund would serve the church well in helping to retain experienced and beloved clergy.

These funds are generally put in place to assist the clergy with living arrangements in retirement, as they may have not had a chance to build adequate equity or cash reserves while residing in church-owned housing. Please keep in mind that, as an employer-paid benefit, the amount contributed would be included in the total compensation assessable for pension.

Some models for such funds might include:

a. The estimated annual appreciation of the market value of the parsonage. For example, a home valued at $200,000, in an area appreciating at 1.5%, would require an annual contribution of $3,000.
b. A baseline amount that increases on an annual basis to a certain level ($500 in year one, $1,000 in year two, etc. up to $2,500/year, or some agreed upon maximum)
c. A flat percentage of compensation (1% of total assessable compensation, for example).

There are many options in setting up an equity allowance, but a floor (the lowest possible amount) and a ceiling (the highest possible amount) for any given year should be included in the design to consider the minimum and maximum ranges that a church might face when funding such a benefit.

Clergy - Work After Retirement

Once an ordained person is retired under the rules of the Church Pension Fund, and is still under 72 years of age, they <u>may not</u> earn more than 50% of the median compensation for all active clergy. This threshold is determined by the Church Pension Fund each year.

The median amount in the most recent survey implies a **$44,200** threshold for 2024, which is confirmed in the "Working After Retirement" page of CPG's web site.

If a church employer wishes to employ a retired cleric that either

(a) directly retired from that same church, or
(b) will receive remuneration in excess of the threshold (again, $44,200 in 2024),

then the church must speak with the Bishop of Virginia and work jointly to complete an "Application for an Exception to the Rules for Work After Retirement". This form can be found on the Church Pension Group web site.

The Bishop must also include a letter detailing why such an exception, rather than hiring an active clergy person, is important to the mission strategy of the church and of the diocese. It is not often that the Bishop will consider doing so and local church leadership must make an excellent case.

Given that the request being made is to allow a priest to exceed an already generous threshold and yet effectively taking a position an active priest might be engaged in, but still receiving full pension benefits, the Church Pension Fund takes a very hard view of such applications. The application can be found in the forms section of www.cpg.org and planning by local church leadership should allow enough time such that, if the Bishop agrees to petition the Church Pension Fund review board, a final application may be delivered no later than six months prior to the suggested start of the exception period.

If approved, the exception is for a one-year period only.

In addition, there is no need to request an exception if:

1. The retired cleric is working outside of the Episcopal Church, meaning:
    a. The retired cleric is working for another denomination or
    b. The retired cleric is working in a secular position.
2. The retired cleric will receive less than the threshold amount in any 12-month period from a specific Episcopal Church employer.
3. The retired cleric is at least 72 years of age and is NOT seeking to be employed at the church from which they retired.

Additional information on the working while pensioned rules may be found on the Church Pension Group website, or you may call the Treasurer of the Diocese of Virginia for advice.

Compensation – Laity – Benefits - Pension

In adopting Resolution A138, General Convention 2009 approved the canonical change requiring the provision of a pension benefit for any lay employee of the Episcopal Church employed (and compensated) for **1,000 hours** or more per year and to utilize the Church Pension Group standards as a baseline. This provision for these "eligible employees" was to be in place no later than **January 1, 2013**. General Convention 2012 reaffirmed the actions of 2009 but did allow an extension for schools **ONLY** for full compliance, extending these school employers a compliance requirement to January 1, 2018, but using a specific phase-in period.

There are two standard types of plans for the provision of a lay pension: a Defined Benefit Plan (DB) and a Defined Contribution Plan (DC). If a church is not yet offering lay pension benefits and will be required to do so based on current staffing, it is strongly suggested that contact be made with the Lay Pension Client Services Team at Church Pension Group at 1-866-802-6333. A great deal of information can be found at www.cpg.org/laypensions including details on plan designs, enrollment, and ongoing benefit management.

In short, the DB plan is much like the clergy pension plan, with an employer contribution ("assessment") of nine percent of total compensation. The employee is guaranteed a benefit by formula based on compensation and years of service. The DC plan requires a minimum base contribution by the employer of five percent of total compensation, and a required match of employee contributions up to an additional four-percent.

This means the employer is capped in **either** plan to a minimum exposure of nine percent of total compensation, although the employer can be more generous if they so choose. The DB plan does not require any investment decisions to be made by the employee while the DC plan does require the employee to elect specific investment funds for the money contributed on their behalf.

Forms for registration for churches and employees are available on the CPG web site. Please call the Treasurer's office for additional help or call the CPG Lay Pension Services office at **1-866-802-6333**.

Insurance
Disability – Short and Long-Term

AFLAC administers Short- and Long-Term Disability programs provided by CPG. Please contact Ted Smith for information about CPG's programs.

The Diocese of Virginia sponsors a Long-Term Disability (LTD) product that is available to all employees of the churches and diocesan entities. The current carrier is CIGNA Life Insurance Company. CIGNA is well-known as a leader in providing employee disability benefits. The contract was awarded to CIGNA in 2017. This CIGNA LTD product provides a benefit of up to 60% of salary up to $5,000 per month, up to age 65. This benefit is accessible after a 90 day waiting period, which coordinates with social security benefits. The cost of coverage is computed on a compensation "volume" basis. A summary of the program and the full insurance certificate are located at the Long Term Disability page within the Benefits section of the diocesan web site.

Our CIGNA LTD coverage also allows each employer to decide if an employer-paid benefit or an employee-paid benefit is preferred. The reason for this choice is taxation related. If there is a claim and the benefit is employer-paid, the disability payments to the employee are taxable income. If there is a claim and the benefit is employee-paid, there is no taxable income to the employee. The employer can also provide the benefit as a "gross-up" model, by which the employee's compensation is increased in the amount of the currently paid amount by the employer and then the premium is reduced from the employee's compensation. By "grossing up" the compensation, the employee benefits from what the employer is typically already paying. As noted, all employees of the Church working at least 1,000 hours per year (clergy and lay) are eligible to participate in this program.

If you have questions about the LTD product and inclusion for staff (clergy and/or lay), please call Stas Jones at 1-800-DIOCESE, or you may email him at sjones@thediocese.net. The diocesan staff handles the group billing, as it does for the health and dental plans.

A disability benefit is also included within the clergy pension benefits, and it is a modified type of LTD insurance. For a better understanding, please consult the Church Pension Fund benefits handbook. You can find the current handbook at www.cpg.org and look under publications.

Short-term disability products primarily cover shorter-term medical leaves, including maternity leave as noted above, but this type of policy also acts to cover the time period up to a Long Term Disability product's start date. Studies have shown that roughly 30% of the working population will have been disabled at some point in their working career.

The ***current*** short term disability rates are shown below **for budgeting purposes only**; revised rates will be published as they are received.

Salary	Monthly Premium
Less than $25,000	$8.00
$25,000 to $44,999	$17.50
$45,000 and above	$32.00

Information can be found on the Church Pension Group web site, www.cpg.org. Assistance for this product can also be obtained by dialing **1-866-802-6333.**

Dental Insurance

An optional dental plan is also offered on a **church by church** basis. The Diocese of Virginia is self-insured and Anthem Dental will continue as administrator for 2025. Rates will not increase for 2025 as we maintain an appropriate reserve against claims. There are no changes to the benefits offered under the plan.

Carrier	Single	Couple	Parent/Child	Family
Anthem Dental	$ 25	$ 55	$ 65	$ 90

Health Insurance

General Convention 2009 passed a canonical change that created a Denominational Health Plan (DHP) to be managed by the Medical Trust of the Church Pension Group. This canon requires all persons employed (and compensated) for **1,500 hours** or more per year to be provided health insurance by their church employer and to utilize the DHP..

The Diocese of Virginia transitioned to the DHP as of January 1, 2011. Our Virginia Canon 31 requires participation in the plan as chosen by the diocese, so participation is mandated on two levels. Those persons already granted exceptions to the diocesan plan are allowed such exceptions under the DHP and that information is made known to the Medical Trust.

The plan offerings remain the same from 2024 to 2025; please see the 2025 Medical Trust Enrollment Packet for details and plan comparison tools.

Medicare-eligible (65+ year-old) employees continue to have the option to use a designated "MS" Medicare Secondary-Payer plan, meaning Medicare would be the primary payer for health insurance. The same four plans will be in place for the 2025 plan year.

Monthly rates for all plans are published on the diocesan web site at: 2025 DoV Compensation Guidelines

New employees should be enrolled, or a waiver of participation requested, within 30 days of the date of hire. The annual open enrollment period for the Diocese of Virginia is always in the early November session. Questions about the diocesan health or insurance plans, enrollment, and assistance in resolving benefit management problems may be addressed to Ms. Paige Carnohan at the Mayo Memorial Church House.

As noted earlier, the canonical change for the Episcopal Church to establish, diocese by diocese, a standard of parity in provision of benefits for clergy and laity was delayed for implementation by three years, so that coverage must have been in place by **January 1, 2016**.

Parity means that eligible employees are provided the same level of coverage at the same level of cost to the employee, regardless of being ordained or lay. The Executive Board of the diocese worked on models for this standard during 2010 through 2012, leading up to General Convention 2012. Once a standard benefit level is established at the local church employer level, an employer may provide health insurance benefits in excess of the standard, as long as all eligible employees receive the same level of benefit. The Executive Board approved model can be found on the diocesan web site.

Life Insurance – Group Term

A group life insurance policy is available through Church Life Insurance Corporation (CLIC). It is available in a base rate of 1x ("one times") annual compensation. For clergy, the compensation should include the total compensation reported to the Church Pension Group for assessments.

Enrollment forms MUST be completed and returned to the Diocese within 30 days of employment OR the employee can be denied coverage.

Please check with CPG representatives for current information on enrollment. You may contact Church Life at 1-800-480-9967.

Life Insurance - Supplemental

The Church Life Insurance Corporation has released a voluntary product to allow clergy (and lay staff) to acquire up to $500,000 in additional life insurance in incremental amounts (based on additional multiples, like the base rate --- 1x, 2x, etc.) Spouses of enrolled employees are also eligible for up to $240,000 of coverage and dependents may obtain coverage up to $10,000. Rates are age-based per $1,000 of coverage.

The CLIC office in New York has notified all churches and clergy that this product is available. Please call the main customer service number at 1-866-802-6333 for information on this supplemental life insurance product.

An employee who is enrolled in the underlying Group Life product has 31 days to respond from the date of the offer letter mailed by CLIC to the employee's reported address. A revised guideline for the Supplemental Life product is available on the Church Pension Group website.

This product does not have a regular open enrollment period beyond the 31-day window noted above.

Imputed Value of Group Term Life Insurance

Please keep in mind that a group life insurance policy of "4x current assessable compensation", up to $100,000 in value, is provided to all active clergy whose pension fund assessments are up to date. This is provided at no cost to the clergy or to the employing church entities. Also, lay employees who participate in the Defined Benefit Pension Plan through the Church Pension Fund are provided a group life insurance policy of 2x current compensation, up to $50,000 in value, at no cost to the employee or the church. These coverages are provided by a decision of the Trustees of the Church Pension Fund.

Please Note: In accordance with IRC section 79, any person who receives group life insurance benefits more than $50,000, an incremental amount of income must be declared on the W-2 form in Box 12, and labeled as Code C. This only applies to GROUP life insurance products, not to any individual policies the employee may have. For information on how to calculate the value of GTL, please refer to the annual Tax Guide prepared for the Church Pension Fund and found on their website http://www.cpg.org.

Medicare Supplement for Retired Clergy

A very generous Medicare supplement is available through the Church Pension Fund. Details can be found at CPG Group Medicare Advantage Overview.

Vestry Considerations

Continuation of Benefits

Letters of Agreement may include a "continuation of benefits" clause covering the immediate period following the death of an actively employed cleric or lay employee. Such a clause could provide the surviving spouse with a minimum of the cash equivalent of: all unused vacation time, one month of full cash compensation, and up to two months of health insurance.

As noted previously in these guidelines, the tax code allowance for a parsonage value terminates upon the death of the cleric, except in the case of a clergy couple. While this pro-rata parsonage allowance is a tax issue for the family, the total compensation of a deceased cleric should still be paid.

Churches may certainly be more generous in their support of the decedent's family.

Continuing Education

It is recommended that all contracts or Letters of Agreement for clergy and key lay professionals include a "continuing education" amount that would cover the materials, expenses or participation in appropriate ongoing professional training for the employee. Like other professionals, the ordained and lay professionals of your church are generally expected to continue to broaden their experience and education.

The 2006 General Convention affirmed the canonical requirement of Title III, Canon 9, Section 1, which speaks to the use of continuing education to support the vocational demands of our clergy.

Churches are to assist their clergy in this regard in terms of both time and financial support. Churches are encouraged to allow at least two weeks a year and budget at least **$500 per year** for each member of their clergy staff for this purpose. The cleric, in turn, should report back to the church leadership as to how the experience provided impacted their ministry. Such continuing education time should be approved in advance by the vestry or vestry committee.

Similar expectations are suggested for the support of the **lay professionals** employed by the church.

As funds provided for use in a church discretionary fund are donor-directed gifts for "charitable and pious uses", the use of such funds by a cleric for expenses related to any approved continuing education is not endorsed and may create a tax issue for the cleric. Professional development funds should be prospectively budgeted for in the operational budget of the church.

Sabbatical Leave

The 193rd Annual Council received a report from the Standing Committee recommending sabbatical guidelines for clergy **and** lay professionals. That report states that a periodic sabbatical is a healthy and effective means of preventing burn-out and of renewing and enhancing a church professional's capabilities for dealing effectively with problems facing those who need help.

The report defines a sabbatical as a three to six-month period of renewal, away from the normal workplace, usually no more frequently than once every five to seven years. Full compensation and benefits are paid to persons on sabbaticals. The specific provision of this should be included in a Letter of Agreement between a church and a cleric and is suggested to be added to a church personnel manual.

1. The sabbatical is intended to provide rest and renewal, but should have a structure to it. Planning for the sabbatical is just as important for the clergy or lay professional as it is for the church. The planning process can be broken into three phases: the pre-sabbatical or planning phase; the sabbatical itself; and the post-sabbatical phase.
2. During the first phase, the objectives of the sabbatical should be defined in general terms and a flexible plan should be developed to achieve those objectives. The plan might

involve group study, travel, writing, or some combination of all three, blended with a good measure of relaxation and family time.

3. The second phase is the sabbatical and the person should follow a flexible approach to pursuing the planned objectives, bearing in mind that the overall goal is rest and renewal, not rigid adherence to a prescribed plan of action.
4. The third phase is a time of adjustment for both the person returning and for those who have coped with that person's absence. A form of feedback should be provided through face-to-face dialogue, or in the form of a written report.

Funding for sabbaticals may be budgeted for or may be sought from grant-making bodies such as the Lilly Foundation. More information about the Lilly program may be found at: Lilly Endowment Guidelines for Grant Seekers

Funds used for sabbatical purposes are fully taxable with the exception of:

A. Those funds used for continuing education expenses substantiated by invoices/receipts and,
B. The expenses for the employee to travel to/from the continuing education location. The expenses associated with any family members are taxable if paid from accrued/acquired sabbatical funds.

As with the Continuing Education section of these guidelines, funds provided for use in a church discretionary fund are donor-directed gifts for "charitable and pious uses." The use of such funds by a cleric for expenses related to an approved sabbatical is not endorsed, and may create a tax issue for the cleric. Again, these sabbatical leave funds should be prospectively budgeted for in the operational budget of the church.

FYI

- ✞ Please bookmark www.cpg.org on your computer. This is the web site of the Church Pension Group, and you will find many useful items in the administration of your church ministry, such as the information on clergy taxation, and forms such as change in compensation and materials on lay pension.

- ✞ Treasurers, parish administrators and clergy may also find additional information and useful forms at both the website of the Social Security Administration (www.ssa.gov), and at the website of the Internal Revenue Service (www.irs.gov). Each of these sites is remarkably good.

- ✞ Please take a moment to ask your clergy and laity if they have prepared a will. If they have not, it is a great service of a church to arrange for a will-writing session. It is never too early to have your affairs in order. If there is an existing will in place, it should be reviewed to keep the document current, especially if guardianship of children is involved, or if the will was written with reliance upon another state's property and estate laws. Consideration of a bequest to the Church is encouraged as a means of stewardship of God's gifts.

- ✞ The Bishop asks that you provide a continuing education day and funding to allow your lay employees to attend educational conferences, especially those designed for their professional development and personal financial planning.

- ✞ The diocesan web site has a section which retains helpful financial/benefits documents for your use. You may find this information within the Finance and Management area of the site. To find this from the main page, in the "Resources" tab on the top bar of the web page click on " Church Administration" then choose "Finance and Management" from either the list on the page or in the left margin.