

EPISCOPAL DIOCESE OF WESTERN
MASSACHUSETTS

CONGREGATIONAL DEVELOPMENT

HUMAN RESOURCES MANUAL

EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS
HUMAN RESOURCES MANUAL

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Section 1

THE PURPOSE OF THIS MANUAL

Section 1: THE PURPOSE OF THIS MANUAL

This manual has been designed by the Diocesan Human Resources Committee to assist parishes in the development of human resources policies and procedures that will enable the congregation to accomplish its mission. The development of appropriate human resources policies and the establishment of equitable compensation levels will support your parish's mission by creating an atmosphere of fairness and respect that allows and encourages employees to do their best work.

Any comprehensive program of human resource management consists of policies which treat people in a way that makes them feel their contribution to the parish is recognized and valued. Parish compensation practices are a critical element of its human resources policies. People should be compensated fairly for their contribution to the mission of the parish. Compensation consists of both cash salary and benefits. Normal benefits include pension, health and life insurance, paid time off, and other non-cash benefits.

The manual is intended to help you develop equitable policies and implement compensation levels that are fair to both those receiving the compensation and to the parish that bears the cost of the compensation.

More specifically, the purposes of this manual are the following:

1. To assist clergy and lay parish leaders in:
 - a. establishing effective and equitable human resources policies and practices
 - b. establishing a salary administration program for the congregation
 - c. determining appropriate compensation ranges for the clergy and lay employees of the congregation
2. To help clergy and lay leaders develop a concept of mutual ministry which will serve the members of the congregation, the people they employ, and the people of the community where they live and minister.

It is the policy of the Episcopal Diocese of Western Massachusetts to establish and promote a continuing program of action fully committed to assuring equal employment opportunities to all employees and applicants without regard to race, color, sex, age, national origin, disability, status as a disabled or Vietnam Era veteran, ancestry, sexual orientation, gender identity or expression, or marital status and to affirmatively seek to advance the principles of equal employment opportunity. **Nondiscrimination and equal employment opportunity on the basis of religion are extended except where *bona fide* occupational qualifications require that an employee be a confirmed Episcopalian who is in good standing with a church or mission of the Episcopal Church in the United States or holds beliefs in common with the doctrine of the Episcopal Church.** The Diocese applies this commitment to recruiting, hiring, promotion, training, compensation, layoff, termination and other conditions of employment. We encourage every parish in the diocese to adopt a similar policy of nondiscrimination and equal employment opportunity.

If you want assistance in the development of human resources policies or in the interpretation of the material contained in this manual, please contact the Finance and Administration Officer or Diocesan Human Resources Manager by calling Diocesan House at [(413) 737-4786 or 1-800-332-8513].

Section 2

Human Resource Management Overview

Section 2: HUMAN RESOURCE MANAGEMENT OVERVIEW

Section 2.01: GENERAL EMPLOYMENT INFORMATION

A. **Employment/Employee Status**

- Regular Full-time employee: One who is normally and consistently scheduled to work a minimum of thirty (35) hours per week.
- Regular Part-time Employee: One who is normally and consistently scheduled to work less than 35 hours per week.
- Temporary Employee: One who is hired to work for a limited, specified period of time, regardless of the number of hours worked.

B. **Working Hours**-Your parish should define the normal work week for its employees.

Each full-time employee is entitled to a lunch break and an additional break, one in the morning and one in the afternoon.

Personal matters may occasionally necessitate some adjustments in the work schedule. If you need to adjust your work schedule, please discuss this in advance with the Office Manager. It is expected that an employee will make up for such deviations in the work schedule.

C. **Pay Periods/Pay Day**

Employees may choose to be paid through the Diocesan Central Payroll System on either a monthly or a semi-monthly basis. Payday on a monthly basis is on the 4th Friday of each month. For those who prefer to be paid twice per month, payday is on the 2nd and 4th Friday of each month. If either Friday falls on a holiday, the employee will be paid on the previous day.

An individual may arrange for their check to be directly deposited to their local bank. Please contact the Diocesan Human Resources Department for further information by calling 1-800-332-8513 or (413) 737-4786.

D. **New Hire/Rehire Paperwork**

The following must be completed by the **employee** prior to being added to the Central Payroll System:

- Form W-4 (Federal Withholding)-Current form can be printed directly from the **IRS website** www.irs.gov
- M-4 (Massachusetts Withholding)-Current form can be printed directly from **the Massachusetts Department of Revenue website** www.dor.state.ma.us , click on the section for Forms and then to Tax Forms to download the most current version of the Mass Form M-4.
- Employee Information and Verification (Section 1 of Form I-9 Immigration and Naturalization Service Employment Eligibility Verification)-Please contact the Diocesan Human Resources Department to obtain a copy of this form.
- The following must be completed by the **employer/parish** before a new employee can be added to the Central Payroll System.
- Central Payroll Authorization Form(see sample form immediately following this section)

- Employer Review and Verification (Section 2 of Form I-9 (Immigration and Naturalization Service Employment Eligibility Verification)-Please contact the Diocesan Human Resources Department to obtain a copy of this form.
- Unemployment Compensation Acknowledgement-Not available at this time(work-in-progress).

Kindly contact the Diocesan Human Resources Department to obtain the forms listed above. Completed forms can then be forwarded to the Diocesan Human Resources Department, 37 Chestnut Street, Springfield MA 01103.

E. Schedule of Payroll Deductions

Taxes that the Diocese is required to withhold through the payroll system:

Federal Income Tax

State Income Tax

Social Security Contribution(OASDI and Medicare)-Lay Employees only

Assignments and garnishments that will be deducted

The Diocese is required by law to honor any legally served wage assignments or garnishments, therefore, it must deduct the mandated amounts from the affected staff member's paycheck and forward them to the appropriate authority.

F. Unemployment Compensation

The Diocese of Western Massachusetts and its parishes are not eligible to participate in the Massachusetts unemployment insurance program. As a result, if an individual is terminated involuntarily, they are not eligible to collect unemployment benefits. As a result, Diocesan Council approved a separation policy for members of Diocesan staff at their June 1999 meeting.

Your parish may wish to adopt a similar policy in the event an employee is terminated involuntarily, not due to misconduct. Please see the page immediately following this section for the full text of the **Separation Policy**.

Employee Separation Allowance

The Diocese of Western Massachusetts and its parishes are not subject to unemployment insurance. As a result, if an individual is terminated involuntarily, not involving misconduct, they are not eligible to collect unemployment benefits. See following page for full text of the policy that applies to members of Diocesan staff only as approved by Diocesan Council at their June 1999 meeting.

Section 2.02: Work Atmosphere

This is a statement used in the Diocesan House. It is offered here as an example. The Diocesan House is a Christian community of those who have been called to work together under the Bishop's direction to help build healthy, mission-focused congregations. We seek to maintain a safe, healthy, open, joyful work atmosphere in which to carry out our several responsibilities. Together, we work to maintain the high standards of Christian people, who "strive for justice and peace among all people, and respect the dignity of every human being" (BCP, p. 305)

If you are having any difficulty with your work and/or with your co-workers and/or supervisor(s), you are encouraged to speak with the Office Manager. The Office Manager will work with you to bring about a reconciliation of the problem(s) for the benefit of the employee(s) concerned, consistent with the mission of the Diocesan House and the values of a Christian Community.

Section 2.03: Sexual Harassment

Sexual harassment in the work place is unlawful gender discrimination under federal and state law. It is the intent of the Diocese of Western Massachusetts to maintain a work place free from sexual harassment. Unlawful sexual harassment will not be tolerated. The Diocesan policy that follows applies to all employees.

Unlawful sexual harassment is defined as unwelcome conduct which involves sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when submission to or rejection of such advances, requests or conduct is made either explicitly or implicitly a term or condition of employment or as a basis for employment decisions; or when such advances, requests or conduct have the purpose or effect of unreasonably interfering with an individual's work performance by creating an intimidating, hostile, humiliating or sexually offensive work environment.

Examples of sexual harassment include: explicit or implicit demands for sexual favors in exchange for job benefits; unwelcome letters, telephone calls or displays of materials of a sexual nature, physical assaults of a sexual nature; unwelcome and deliberate touching, leaning over, cornering or pinching; unwelcome sexually suggestive looks or gestures; unwelcome pressure for sexual favors; unwelcome pressure for dates; and unwelcome teasing, jokes or questions of a sexual nature.

An employee who feels that he or she has been sexually harassed or has witnessed sexual harassment has the right and obligation to report such conduct. Each supervisor or manager who is aware of an incident of potential sexual harassment must report such conduct. Reports of sexual harassment should be made to designated individuals in your parish. The individuals listed below are those designated for such reports made by Diocesan House staff:

**Bishop
Diocese of Western Mass.
37 Chestnut Street
Springfield MA 01103**

**President, The Standing Committee
Diocese of Western Mass.
37 Chestnut Street
Springfield MA 01103**

The Diocese of Western Massachusetts will act quickly to eliminate the harassment and impose corrective action. Any employee found to have engaged in sexual harassment will be subject to appropriate corrective actions, which may range from counseling to immediate dismissal. The person reporting the complaint will be informed of the results of the investigation.

The person receiving the report will direct a prompt investigation of the complaint. The Diocese of Western Massachusetts will make every effort to treat complaints and investigation of sexual harassment confidentially.

Section 2.04: Prevention of Sexual Harassment and Child Abuse- "Training for a Safer Church"

Policies for the protection of children and youth

Preamble

The aim of this policy is to make our Church a safe place, safe for those who worship, safe for those who minister, safe for those who come in and out of our Church, safe for children and safe for all who seek or serve Christ. We believe that this policy helps us live out our Baptismal covenant to respect the dignity of every human being.

Screening and selection for ministry with children and youth

The Diocese will do background checks on all clergy who are deployed or licensed to officiate within the Diocese. The Diocese will also do background checks on any diocesan employees or volunteers who regularly work with children or youth.

Parishes are encouraged to do background checks on all employees and any volunteers who regularly work with children or youth.

Background checks should include the following:

- a. a written application
- b. a public records check
- c. an interview
- d. reference checks.

The more access an individual has to children and youth, the more detailed a background check should be.

Volunteers should not be permitted to work with children or youth until they have been known to the clergy or congregation for at least six months.

Behavioral standards for ministry with children or youth

Adults shall never, under any circumstances:

- a. provide children or youth with non-sacramental alcohol, illegal drugs or pornography,
- b. consume non-sacramental alcohol or illegal drugs or misuse legal drugs at any children's or youth event,
- c. be under the influence of alcohol or illegal drugs or the misuse of legal drugs at any children's or youth event,
- d. engage in illegal behavior or permit other adults or children or youth to engage in illegal behavior,
- e. engage in any sexual, romantic, illicit or secretive relationship or conduct with any child or youth,
- f. discuss their own sexual activities or fantasies with children or youth.

Firearms and concealed weapons are prohibited at any church activity. Rectors may make special exceptions for off-duty police officers or other law enforcement officers who are required to carry firearms.

Monitoring programs and interactions with children and youth

Plans for all events and ministries for children and youth should include at least two, unrelated adults present at all times. If unanticipated circumstances result in an adult being alone with children or youths, that adult shall immediately report those circumstances to the Bishop's Office if it is a diocesan event or the Rector, or Senior Warden, if it is a parish event. It may be appropriate for a Sunday School class to have only one teacher so long as at least one other adult can maintain visual contact with the teacher.

Any new programs, trips or events that involve children or youth should be given prior approval by the Rector and the Vestry.

No event for children or youth shall take place in a private residence without prior approval by the vestry.

Adults who work with children or youth within a congregation should be discouraged from having a separate and private relationship with any unrelated child from the church away from sanctioned church, youth activities. Each parish is encouraged to have a Safe Church Minister who is current on safe church issues and training and is not otherwise an employee of the parish. The Safe Church Minister should be consulted by the Rector, Vestry members or others on safe church matters, and should report all questionable or non-standard arrangements to the Rector or a

Warden. It is recommended that the Safe Church Minister and the Vestry regularly conduct a “safe church audit” to review practices and policies within the congregation.

Parishes should adopt safe church policies, consistent with the requirements in this policy. The policies should be clear, should be posted in areas where activities for children and youth take place and should be given to all adults who regularly work with children or youth and to parents. Policies should include the names and phone numbers of the Rector or priest, senior warden, parish safe church officer, and contact person in the Bishop’s office.

Parish computers should have adequate password protection. Parishes should have clear guidelines and adequate supervision (by parish staff or authorized person) of anyone using a parish computer to access the Internet. Such guidelines should make clear that any activity on a parish computer is not considered private and may be accessed by authorized persons.

Education and training

Parishes shall direct clergy, lay employees and volunteers who work with children or youth to attend training on how to prevent child abuse and promote healthy boundaries in church settings. Each parish shall maintain a record of those who have attended such training.

The Diocese shall require all clergy and employees and volunteers who work with children or youth at diocesan events to attend training on how to prevent child abuse and promote healthy boundaries in church settings and will maintain records of those who have attended the training.

The Diocese will offer the requisite training. Individuals should attend re-training every three to four years. The Bishop’s office will approve curriculum and trainers for the requisite training. Current training should be available for those who screen, train or supervise those who regularly work with children or youth.

Responding to concerns

Anyone who knows of a violation of these policies in a parish environment shall immediately report the violation to the Rector or priest and senior warden. Anyone who knows of a violation of these policies in a diocesan environment or by a clergy person shall immediately report the violation to the Bishop’s office.

Anyone who has reason to suspect that child abuse has taken place, whether at church or away from church, shall report it to the appropriate civil authority.

Rectors hearing reports of violations shall be responsible for providing appropriate pastoral care to all those affected and appropriate remedial and/or disciplinary action up to and including termination of employment or volunteer ministry with the church.

The Bishop, hearing reports of violations by clergy, or by adults at diocesan events, shall be responsible for providing appropriate pastoral care to all those affected and appropriate remedial and/or disciplinary action, up to and including canonical disciplinary action.

Contact information

Specific details about how to do background checks, norms for various types of youth events and how to superintend compliance with this policy can be obtained at training events offered by the Diocese, your parish safe church minister or the Diocesan Safe Church Officer.

The Safe Church Officer for the Diocese is the Reverend Canon Sarah Shofstall
(413) 737-4786 x 11. sshofstall@diocesewma.org

The phone number to report suspected child abuse in Massachusetts is: (800) 792-5200 or you can call the Department of Social Services in your area.

This policy was adopted by unanimous vote of the Council of the Diocese on April 21, 2005. It goes into effect January 1, 2006.

Section 3

Elements of Compensation

Section 3: ELEMENTS OF COMPENSATION THE PARISH SALARY ADMINISTRATION PROGRAM

Compensation is made up of cash, employee benefits, and pay for time not worked. Therefore, one's salary becomes the first element of compensation. But a second important form of compensation consists of the employee benefits the congregation provides for its employees. These include pension benefits, hospital/surgical/major medical insurance, group life insurance and disability benefits. Additionally, compensation consists of the pay you provide to employees for time they are not required to work. Paid vacation, paid holidays, and paid sick days are examples of this form of compensation.

Another form of compensation is the social security taxes the congregations pays for its employees. Although required by law, the social security taxes the congregations pays for its lay employees is a form of compensation. Granted, the employee matches those taxes by the deduction of an amount equal to that which the employer pays, but since this tax (although mandatory) will provide for compensation to the individual after retirement, it is a form of compensation.

Finally, although not really compensation, congregations should provide for policies to reimburse clergy, and perhaps other lay employees, for professional expenses they incur in the performance of their work on behalf of the parish. Examples of such expense reimbursements are travel reimbursement (for business use of one's personal vehicle), business and professional expense reimbursements (for meals, meetings, overnight lodging, etc.) and educational and continuing education expense reimbursements. Each of these expense reimbursements will be discussed later in this manual.

Section 3.01: Defining the Job: The First Step in Determining Compensation

One of the first steps in determining equitable compensation is to define the job. Once the congregation understands the scope of the job, it can then determine the equitable level of pay that should be provided for the job. Compensation levels should be established based on what is determined to be equitable both in terms of external and internal factors. The diocese has provided you with clergy salary guidelines that have been established to give you a sense of what the "external marketplace" deems to be equitable compensation for the job. Once you have determined what is equitable to external factors, you should also be mindful of internal factors. Is the rate of pay you are providing "fair" in terms of what you are paying another individual for similar work? Finally, compensation should be based on the employer's ability to pay. Although this should not be the only factor in determining the rate of pay, (and the employing congregation should not fall prey to "playing poor" when determining its ability to pay), the congregation's ability to pay is the final consideration in determining levels of base pay.

Once the job is defined and understood by both employer and employee, evaluation of performance can take place in an ongoing manner with a more formal evaluation undertaken at least annually. And once the evaluation is performed, goals can be set for future performance. And, of course, future compensation decisions should be based in part on the level of performance.

Section 3.02: Evaluating Performance

The process of performance evaluation for ministry positions has been changing in recent years. What in the past has often been an evaluation of the rector's performance is now expanded to be a Mutual Ministry Review. In such a review, the ministry of the clergy, vestry, other lay persons, and that of the total congregation, all of whom are deeply involved in the quality of the total ministry of the parish, is reviewed. Such a review should include both evaluation of performance and development, and setting goals that will assist in the implementation and accomplishment of desired results for a stronger total ministry. The objective for such a review will be to establish a relationship between clergy and the members of the congregation which will create an environment of mutual trust and confidence for a stronger joint ministry.

In addition, a mutual ministry review will:

- 1) nurture a quality of performance acceptable to all persons involved, and
- 2) promote effective development of clergy's long-term potential and goals.

The Canon to the Ordinary can assist congregations in developing a process for a Mutual Ministry Review. It is critically important that a "third party" such as the Canon to the Ordinary be involved initially in developing an effective process for such a review, unless such a process has been in place and is working well. (See the pages immediately following this section for materials concerning the Mutual Ministry Review. Call the Canon to the Ordinary as Diocesan House at 1-800-332-8513 or (413) 737-4786 for help in tailoring these materials for your congregation.)

The performance evaluation of lay employees, although part of the process of Mutual Ministry Review, should also be done in a formal process by which actual performance is compared to expectations and responsibilities defined in the job description. The process can be most objective if levels of performance or examples of satisfactory job performance have been identified at the outset. Performance evaluation, on a regular basis, is important in terms of giving recognition to lay employees and also in terms of establishing areas where growth and development in job performance is desired. **Please see the pages immediately following this section for a sample of the Annual Ministry Review Program used at Diocesan House.**

The Episcopal Diocese of Western Massachusetts

Annual Ministry Review Program

The Episcopal Diocese of Western Massachusetts Ministry Review Program

The leadership of The Episcopal Diocese of Western Massachusetts has decided to launch a Ministry Review Program for staff employees within the Diocese. This decision was inspired by the need to create a better understanding among the staff regarding management's performance expectations and to implement a process for sharing constructive management performance feedback. The ultimate goals are to enhance and sustain (1) staff performance and motivation, (2) shared communications around individual performance needs and expectations, and (3) a sense of teamwork, ownership and common mission within the Diocese. As this process is implemented and enhanced, it can serve as a useful model to be shared with parish teams throughout the Diocese. The process for this Ministry Review Program is described below.

Performance Goals and Objectives (Part I-A)

Employee performance goals and objectives are established at the front end of the annual Ministry Review Program process in order to create shared performance expectations between managers and their staff. To accomplish this, managers meet one-on-one with each of their staff employees during the month of June to develop individual performance goals and objectives for a 6-12 month time horizon. The meetings are pre-scheduled and employees are encouraged to come to the meetings prepared, where possible, to share their own anticipated set of job-related goals and objectives as well as any perceived personal professional development needs.

Prior to each meeting, managers develop tentative individual performance goals and objectives to share with their staff at the meetings. Performance goals and objectives are centered around each employee's evolving role (job duties) within the Diocese as they are linked to the Diocesan annual plans and ongoing mission. Individual staff job descriptions are a reference for structuring employee goals and objectives and can be obtained from the Human Resources Manager. The job descriptions, of course, can be edited as part of this process where staff roles (duties and responsibilities) are changing.

The dialogue process around setting employee performance goals and objectives is critical to establishing shared performance expectations. However, it is likely to be an evolving process in need of occasional updating since Diocesan plans and structures can change over time. The first meeting will actually focus primarily on "comparing notes"...giving managers and employees an opportunity to gain insights regarding each other's performance-related expectations and employee professional development needs. A follow-on meeting to finalize performance goals and objectives and plans for employee professional development, after a brief reflective interlude, will be needed to clarify and confirm performance expectations. The primary objective is to achieve closure in setting performance expectations between managers and their staff.

Ministry Review Program

Professional Development Plans (Part II)

Professional development plans are strategies for enhancing employee professional skills and/or competencies based upon confirmed assessments by their managers. Such plans could involve in-house training, targeted internal mentoring/coaching support, participation in external training programs, access to external training resources, etc. During the initial process in setting performance goals and objectives with employees (i.e., the launch of the Ministry Review process), managers will elicit employee self-assessments regarding their own perceived professional development needs (Part II-A). These needs will then be revisited by managers in the context of each employee's actual Ministry Review. Managers' conclusions around employee professional development needs will also be based, in part, on feedback from the employee "clients," peers, and other managers. Any professional development strategies that emerge following a performance appraisal, which require capital investments, will be presented for approval to the Financial Officer as a recommended staff developmental investment.

Recording, Confirming and Later Revisiting Performance Goals/Objectives

Once dialogue closure is achieved in setting performance goals/objectives and examining employee professional development needs, managers will ask employees to record the outcomes in Parts I-A and II-B on the Diocesan Annual Ministry Review form. The drafts will be reviewed and, where needed, edited by managers with feedback to employees.

Established performance goals and objectives will then be revisited at a scheduled manager/employee meeting after the first six months (i.e., in January) and, where needed, modified. This provides an opportunity to examine progress and to make any changes to individual performance goals and objectives resulting from the Diocesan strategic/business plan for the new fiscal/calendar year. In addition, it will enable managers and employees to revisit their original discussions and conclusions around performance goals and objectives since other factors could also lead to changing priorities. Frequent, informal meetings between managers and staff for monitoring progress and sharing feedback are also encouraged.

Performance Feedback (Part III)

In June of the following year, managers will conduct Ministry Reviews of their staff, including any new employees who have worked for the Diocese for at least six months. Performance goals and objectives should be established with new employees at the time they are hired. Managers will initiate this process by scheduling the Annual Ministry Review meetings with their employees and asking them, in advance of the meetings, to prepare and deliver their own written self-assessment of how they have performed in meeting their performance goals and objectives.

Ministry Review Program

In advance of the Ministry Review meetings, managers will also elicit relevant confidential performance feedback from other relevant sources...e.g., a “client” (clergy in a Diocesan parish), another manager, and a peer of the employee. The solicited feedback will center around job-relevant performance criteria such as...

- ✓ Service delivery/productivity
- ✓ Effectiveness at teaming
- ✓ Flexibility/adaptability
- ✓ Essential job-related skills

They will then incorporate and summarize this feedback on Part III of the Diocesan Annual Ministry Review form using the generalized feedback descriptors on the form. Managers will then consider employee self-assessments of the results in meeting performance goals and objectives and then record (in Part I-B of the Ministry Review form) their own (managers’) conclusions around those results.

During each Ministry Review meeting, managers will first review with employees the results/outcome in achieving their performance goals and objectives using this portion of the review to explore shortfalls, consider future remedies, and to laude success. After exploring the outcomes in achieving targeted results, managers will then share with employees a performance feedback overview on job-relevant performance criteria, as recorded in Part III, based upon confidential “constituent feedback.” Employee input here will also be solicited in the context of talking through, developing and recording new performance goals and objectives for the next 12-month Ministry Review period and, possibly if needed, a professional development strategy.

Ministry Review Summary (IV)

Following the Ministry Review meeting, managers will finally craft and record a performance summary (Part IV), which should be limited to one page. The summary will capture the outcome of the manager’s assessment of employee performance and professional development needs based upon the learning achieved through performance results (meeting goals and objectives), constituent feedback, and employee input. A copy of the summary will then be shared with employees to affirm closure around the Ministry Review meeting. The employee may add comments and then should sign the acknowledgment. Performance goals and objectives and possible professional development plan are then to be prepared for the next Ministry Review period.

Salary Increase Recommendations

Finally, managers submit completed employee Ministry Reviews to the Human Resources Manager along with recommended merit salary increases and, where needed, other salary adjustments. Merit salary increase recommendations are linked to the outcome of Ministry Reviews and merit salary increase guidelines. Salary adjustments, on the other hand, would be driven by market and/or promotional factors.

THE EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS
ANNUAL MINISTRY REVIEW

Employee Name: _____

Part II

The manager and the employee identify strategies for enhancing the employee's professional development in any job-related skills and competencies that would be considered mutually advantageous.

A) PROFESSIONAL DEVELOPMENT, Employee Needs Assessment:

B) PROFESSIONAL DEVELOPMENT, Targeted Strategy:

Part III

The manager shares performance feedback with the employee centered around the performance criteria below. The feedback is based upon confidential input from clients, other team members, and the manager's own assessment.

PERFORMANCE FEEDBACK:

a) Service Delivery/Productivity...

Plans, prioritizes and delivers high quality products/services on a realistic, timely basis

Exceeds Expectations Meets Expectations Requires Improvement/Further Development

THE EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS
ANNUAL MINISTRY REVIEW

Employee Name: _____

Part III, continued

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PERFORMANCE FEEDBACK, Continued:

B) Effectiveness at Teaming...

Contributes to building a positive team spirit with team-like objectivity, support and focus

Exceeds Expectations Meets Expectations Requires Improvement / Further Development

C) Flexibility/Adaptability...

Effectively adapts to changes, manages competing demands, and accepts feedback

Exceeds Expectations Meets Expectations Requires Improvement / Further Development

--

D) Essential, Job-related Skills...

Has effective command of the skills and knowledge required for the current job.

Exceeds Expectations Meets Expectations Requires Improvement / Further Development

THE EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS
ANNUAL MINISTRY REVIEW

Employee Name: _____

Part IV

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PERFORMANCE APPRAISAL SUMMARY:

C) EMPLOYEE COMMENTS:

EMPLOYEE ACKNOWLEDGMENT

I have reviewed this performance appraisal and discussed its contents with my manager and have applied by signature below to acknowledge that. However, my signature does not necessarily imply that I agree with the appraisal.

Employee's Signature Date

Appraiser's Signature Date

Human Resources Acknowledgment Date

Section 3.03: Merit Pay versus Cost of Living

The Human Resources Committee encourages congregations to consider merit pay increases *in addition to* cost-of-living adjustments in determining annual salary increases. If only cost-of-living adjustments are given, the individual's salary never advances within the range. And therefore, the parish will never be able to correct a pay inequity that may exist because the individual is being paid at a rate less than the midpoint.

By granting a merit increase the congregation demonstrates how it values the individual's performance. For example, good performance by an individual whose salary is below the mid-point would imply an increase of more than merely matching the cost of living adjustment in the salary ranges, one that will bring the individual's rate of compensation closer to, or even above the mid-point.

Section 4

Clergy Compensation

Section 4: CLERGY COMPENSATION

Section 4.01: Position Descriptions

Jobs are defined in position descriptions, written documents which define in detail the understandings and expectations of what the job entails and specify the various areas of responsibility to be assumed by the job holder. The ideal time to develop such a job description is when the parish is seeking to fill the position, be the position the rector, parish secretary, etc. This will give those who will make the employment decision a sound basis for deciding among candidates. It will also become the basis for performance appraisal after the person is hired to fill the position.

The Canon to the Ordinary works with parishes to develop rector position descriptions during the search process. The position description becomes part of a written Letter of Agreement which is approved and signed by the new rector, by the Wardens, and by the Bishop. To obtain a sample letter of agreement, kindly contact the Canon to the Ordinary at Diocesan House by calling 1-800-332-8513 or (413) 737-4786.

Section 4.02: Cash Compensation for Clergy

Compensation consists of cash and non-cash benefits. In addition to providing housing or a housing allowance and providing a cash payment equal to 50% of the applicable social security self-employment tax value, it is expected that the parish will provide a full range of employee benefits for the clergy it employs.

Section 4.03(a): Salary Ranges

In 1999, salary guidelines were established for diocesan clergy. These guidelines are intended to assist congregations in the determination of appropriate levels of compensation. They display a range of compensation—minimum, midpoint, maximum. Experienced individuals who are performing well on the job should receive compensation that is very near, at, or above *the mid-point* of the range regardless of their tenure at the parish.

Salary ranges for all parochial clergy positions can be found on the Diocesan website www.diocesewma.org, please go to the Diocesan Resource Center section and then to the Financial Documents and Forms section for the current ranges.

Section 4.03(b): Measuring the Size of the Clergy Position to Determine the Salary Range

The suggested salary range for your clergy is determined by what "type" congregation yours is. The type is determined by two quantitative standards, attendance and parish income. The type should always be a combination of the two, since the attendance suggests the number of active worshipping members your clergy serve, and the income suggests your ability to pay. These standards are based on factors taken directly from your Parochial Report.

The average attendance figure used for this purpose is the average attendance on the four key Sundays that have traditionally been measured by the parochial reports. This average attendance figure is calculated by using the attendance on the four key Sundays as reported on lines 32 through 35 (Page 3) of your Parochial Report. The four key Sundays are the First Sunday in Lent, Easter Day, Pentecost, and the First Sunday in Advent.

Total Operating Budget Income is the figure reported on Line D (page 5) of the Parochial Report. It represents the total of all income used for general operating purposes.

The pages immediately following this section contain the listing by parish of the average attendance and operating income figures for each congregation of the diocese as contained in the most recent parochial reports submitted to the diocese by the congregations.

Once these two quantitative figures have been determined, points are assigned to each according to the following schedule:

Attendance:

If your Average Sunday Attendance is

<i>less than 75</i>	<i>assign</i>	<i>1</i>	<i>point</i>
<i>76 - 110</i>	<i>assign</i>	<i>2</i>	<i>points</i>
<i>111 - 162</i>	<i>assign</i>	<i>3</i>	<i>points</i>
<i>over 162</i>	<i>assign</i>	<i>4</i>	<i>points</i>

If your Total Budget Income is

<i>\$ 0 - \$ 74,000</i>	<i>assign</i>	<i>1</i>	<i>point</i>
<i>\$ 74,001 - \$ 127,000</i>	<i>assign</i>	<i>2</i>	<i>points</i>
<i>\$ 127,001 - \$ 215,000</i>	<i>assign</i>	<i>3</i>	<i>points</i>
<i>\$ 215,001</i>	<i>assign</i>	<i>4</i>	<i>points</i>

Now add the points from the two sections together:

If your total points are:

<i>2 or 3</i>	<i>Yours is a Type I Congregation</i>
<i>4 or 5</i>	<i>Yours is a Type II Congregation</i>
<i>6 or 7</i>	<i>Yours is a Type III Congregation</i>
<i>8 or more</i>	<i>Yours is a Type IV Congregation</i>

Guidelines for Clergy Employed in Part-time Positions

For Clergy employed in part-time positions, we recommend that parishes pro-rate the compensation based on the percent of a full-time position that the clergy person is employed to perform. The % of compensation should be measured against the midpoint of the range for that church based on their tier. For example, a priest who is employed “half-time” might be paid 50% of the midpoint.

Section 4.04: Shared Clergy Positions

In instances where two or more congregations share one or more full-time priests, it is assumed that the scope of the position is found by adding the sum of both the Average Sunday Attendance figures and the Total Operating Budget Income Figures, finding the points for each, then adding the points together and finding the Type suggested by the table found on the previous page. It is then up to the congregations involved to determine each one's share of the salary, self-employment tax, and other benefits. One way to do this is for each congregation to pay the percent of the priest's compensation as they receive of her or his time.

Section 4.05: Paid Clergy Housing Allowances

IRS tax laws allow congregations to pay a housing allowance to their clergy that is not taxed as income provided that it is designated in advance as housing allowance by a resolution of the vestry. (Note: the designated housing allowance escapes income tax but not self-employment tax.) That portion of compensation that will ultimately escape income taxes will be the **lowest** of 1) the fair rental value of the priest's home (furnished and including utilities); 2) the amount stipulated as housing allowance by vestry resolution; or 3) the actual housing expenses incurred by the clergy person.

The clergy and vestry should look at compensation as one figure comprised of salary and housing allowance. The vestry and priest should determine that figure based on the diocesan salary guidelines, the congregation's ability to pay, the level of performance, and what seems fair. That portion of the total which is then designated as housing allowance should be left to the priest to determine. In a sense, it makes no difference to the parish what portion of the total compensation is cash salary and what portion is housing allowance.

It works to the disadvantage of the priest to have the stipulated housing allowance lower than his or her actual expense. The amount of the stipulated housing allowance should be reasonable, but it is desirable for the designated amount to be a generous estimate. Clergy are encouraged to determine an estimate of their actual housing expenses each year and ask the vestry to designate that amount, or an amount slightly higher to allow for unexpected actual expenses, as housing allowance. If the priest finds at the end of the year that actual expenses for housing were less than the housing allowance, an adjustment is made on his or her actual tax return to convert the unused portion to taxable income.

Examples of expenses that should be considered in estimating one's housing allowance include mortgage payment, property taxes, utilities, homeowners insurance, property maintenance, refuse collection fees, lawn care, any anticipated purchases of furniture, even cable television fees.

The following language should be used by the vestry to stipulate the portion of total cash compensation that is to be designated as housing allowance:

The following resolution was duly adopted by the vestry of (name of parish) at a regularly scheduled meeting held on (fill in the date), a quorum being present:

Whereas, section 107 of the Internal Revenue Code permits a minister of the Gospel to exclude from gross income a church-designated allowance paid as part of compensation, to the extent the allowance represents compensation for ministerial services; is used to pay housing-related expenses such as utilities, repairs, and furnishings; and does not exceed the fair rental value of the housing (furnished, plus utilities) and

Whereas, (fill in the name of clergy person) is employed as a minister of the Gospel by **(fill in the name of parish)** which does not provide a residence for **(name of clergy person)** , the vestry resolves that of the total compensation of **(\$ amount of total cash compensation: the sum of salary and housing allowance)**, to be paid to **(fill in the name of clergy person)** during 20___, that **(\$ amount of housing allowance)** be designated a housing allowance within the meaning of that term as used in Section 107 of the Internal Revenue Code; and it is further

Resolved, that the designation of **(\$ amount of housing allowance)** as a housing allowance shall apply to calendar year **(insert correct year)** and all future years unless otherwise provided.

The source of this suggested resolution is from *Church Law & Tax Report: Church & Clergy Tax Guide*, 2010 edition, published by Christian Ministry Resources.

Section 4.06: Information Concerning Social Security Self-Employment Tax for Clergy

Clergy are considered to be employees for income tax purposes. Therefore, clergy are issued a Form W-2 at the end of the year, not a Form 1099. But while clergy are employees for income tax purposes, they are considered to be self-employed for purposes of social security taxes. Therefore, instead of the employing parish paying a tax equal to 7.65% of wages, and the (clergy person) employee matching that amount through a payroll deduction, clergy are required to pay a self-employment tax equal to 15.3% of their wages.

Guidelines approved by Diocesan Convention call for the congregation to include in the clergy person's compensation package, in addition to salary and housing allowance, an amount calculated to be 50% of the clergy person's social security self-employment tax. A description of how the amount of the self-employment tax is determined is found in the following section. In a sense, this payment is reimbursement to the clergy person for the self-employment tax and, in effect, is additional compensation paid to the clergy person so that his or her cash stipend is not diminished by the fact that he or she must pay self-employment taxes.

The Clergy Salary Ranges are based on the assumption that the parish is making a payment equal to 50% of the social security self-employment tax. The amount of the self-employment tax is not included in the figures shown in the salary ranges. It is assumed that this additional amount equal to the self-employment tax will be paid as a separate item in addition to salary.

**Diocesan Resolution Concerning Social Security Add-On
Episcopal Diocese of Western Massachusetts
Diocesan Convention, November 5, 1994**

Whereas, the Internal Revenue Service designates the tax status of clergy to be “self-employed” and thus requires clergy to pay a higher percentage of their social security than other positions in industry; and

Whereas, the Diocese of Western Massachusetts has viewed this as a burden upon our clergy and so provided a “social security” add-on to bring the employee payment within industry standards; and

Whereas, this “social security” add-on has been part of the annual asking from the parishes which is now being returned to them; therefore be it

RESOLVED, that each parish and mission pay a portion of the cost of the social security obligation of their clergy staff using the following method of calculation:

(Cash Salary + Fair Market Rental Value of Rectory, plus utilities or actual housing allowance) X 7.65% = Amount paid toward Social Security on clergy’s behalf.

**Section 4.07: Calculating Self-Employment Tax
and Church Pension Fund Premiums**

Total compensation is based on: Cash Salary
 Housing Allowance or Utilities plus Fair
 Rental Value
 50% of Self-Employment Tax

The social security base should equal the total of Cash Salary and Housing Allowance in the case of clergy living in clergy-owned housing; or Cash Salary, Utilities and Fair Rental Value of the rectory, plus utilities for clergy living in church-provided housing.

With Housing Allowance		Church Provided Rectory	
Cash Salary	\$31,000	Cash Salary	\$33,000
Housing Allowance	<u>24,000</u>	Utilities	2,000
		Fair Rental Value	<u>20,000</u>
	\$55,000		\$55,000

Multiply the base by .153 to determine the total payment of Self-Employment Tax and then divide this figure by two to determine the 50% payment for which the parish is responsible.

$$\begin{aligned}
 \$55,000. \times .153 &= \text{Self Employment Tax of } \$8,415. \\
 \$ 8,415./2 &= 50\% \text{ Parish Share of } \$4,207.50
 \end{aligned}$$

The Church Pension Fund Premium should be 18% of the total of Cash Salary, Utilities, Housing and 50% of the Self-Employment Tax.

Salary and Housing	\$55,000.00
Self-Employment Tax	<u>4,207.50</u>
Subtotal	\$59,207.50
 Church Pension Fund Assessment	 \$10,657.35

$$\$59,207.50 \times .18 = \text{Church Pension Fund Assessment of } \$10,657.35 \text{ per year}$$

Section 4.08 Employee Benefits for Clergy

Compensation consists of cash and non-cash benefits. In addition to providing housing or a housing allowance and providing a cash payment equal to 50% of the applicable social security self-employment tax value, it is expected that the parish will provide a full range of employee benefits for the clergy it employs.

Section 4.09 Pension Benefits

Congregations provide pension benefits to their clergy through the Church Pension Fund. When a new clergy person is hired, or when a priest's or deacon's compensation is adjusted, it is important for the parish treasurer to inform the Diocesan Human Resources Department of the change right away. The clergy pension assessments are forwarded to the Church Pension Fund on a monthly basis along with any changes received.

The Church Pension Fund assesses the congregation an amount equal to 18% of the sum of (1) cash salary, (2) *one-half of the self-employment tax* (3) housing allowance (or if rent-free living quarters are provided, housing is assumed to be 30% of the combined total of cash salary plus utilities) and (4) the allowance that may be paid to the clergy person to cover the cost of utility bills (or, if the parish pays the utilities for the rectory, the actual cost of utilities from the prior year).

The Church Pension Fund provides a comprehensive pension plan for clergy, including not only regular pension benefits at retirement, but also a lump sum resettlement benefit at retirement, disability retirement benefits, lump sum death benefits and benefits to surviving spouses and children. In addition, the Church Pension Fund provides retirees and their spouses who are eligible for Medicare a Major Medical Catastrophic Supplement to Medicare, and it provides retirees with group life insurance coverage.

Section 4.10: Group Medical Insurance

Medical insurance is to be provided by the congregation for its clergy. For **active, full-time clergy**, the parish is required to pay 85% of the cost of whichever health care insurance that best suits their needs and those of their families as established by resolution of Diocesan Convention in 1994 (**Please see the page immediately following this section for the full text of the resolution**). The diocese currently offers two EPO plans, one PPO plan and one HMO plan. Clergy (and lay church employees) can be enrolled in the diocesan plan provided they work a minimum of 1,000 hours annually. The diocese will bill the parish for their percentage of insurance premiums and arrange for payroll deduction for the portion of the premium paid by the individual.

Parishes in the diocese are able to provide individual, individual + one or family coverage, based on the needs of the clergy person they employ.

Section 4.11: Group Dental Plan

Dental Insurance is to be provided by the congregation to its clergy. For active, full-time clergy, the congregation is required to pay 85% of the cost of individual, employee + 1 or family dental coverage as established by resolution of Diocesan Convention in 1994 (Please see the page immediately following this section for the full text of the Resolution).

An individual has the opportunity to join the group dental plan within 30 days from date of hire provided she/he works a minimum of 1,000 hours annually. An enrollment form may be obtained from the Diocesan Human Resources Department. If you do not enroll within 30 days of your date of hire, you will be required (by the carrier) to submit a dental health statement for yourself and each dependent.

The plan covers you and each enrolled dependent (up to the maximum benefit, see below) for:

Basic dental services (cleaning + routine exam)

Other procedures, as specified on the carrier's schedule (this is available by contacting the Diocesan Human Resources Department at 1-800-332-8513 or (413) 737-4786.

There is an annual deductible of \$50 for an individual policy and \$150 for family coverage.

The maximum annual benefit in a given benefit year is \$1500 per enrollee. You will be reimbursed according to the schedule of allowable benefits at the following rates:

Exam w/cleaning and X rays: 100% (subject to annual benefit maximum)

Basic services: 85% (subject to annual benefit maximum)

Major Services: 50% (subject to annual benefit maximum)

Except for biannual examinations, routine procedures (such as fillings), and emergencies, a pretreatment estimate must be submitted to the carrier for prior approval or the claim will be denied automatically.

The dental plan covers canonically resident clergy in paid parochial positions and their dependents.

**DIOCESAN RESOLUTION CONCERNING CLERGY HEALTH AND DENTAL
INSURANCE**

**Episcopal Diocese of Western Massachusetts
Diocesan Convention, November 5, 1994**

Whereas, it is, has been and continues to be the practice of this diocese to provide dental and health insurance programs to its clergy; and

Whereas, the letter of agreement signed by each parish or mission and clergy staff member promises such coverage; and

Whereas, the Church Pension Group has not increased the options for health care programs to include designated HMOs in addition to our current indemnity coverage; and

Whereas, the cost of these insurance plans has been part of the annual asking from the parishes which is now being returned to them; therefore be it

Resolved, that this 93rd Convention affirms that it is the policy of the Diocese of Western Massachusetts that each parish and mission of the diocese provide for a minimum of 85% of the cost of dental health insurance for clergy staff and their families, if applicable, in keeping with Diocesan Council's actions on October 21, 1993 and October 20, 1994; and be it further

Resolved, that each parish and mission of the diocese provide for a minimum of 85% of the cost of whichever health care insurance that clergy staff determines best suits their needs and those of their families, if applicable, in keeping with Diocesan Council's actions on October 21, 1993 and October 20, 1994.

Section 4.12: Group Life Insurance

The Church Pension Fund now provides Group Life Insurance coverage for all clergy for whom pension fund assessments are being paid. The group life insurance plan provides coverage equal to two times cash compensation up to a maximum of \$100,000. The insured clergy person names the beneficiary of this coverage.

The group life insurance benefit that was previously offered through the Diocesan group plan was discontinued as a result of a resolution passed at the 1999 Diocesan Convention. **(Please see the page immediately following this section for the full text of the Resolution).**

Section 4.13: Disability Benefits for Active Participants in the Clergy Pension Plan

Short-Term Disability

Effective January 1, 2004, the Church Pension Fund began a short-term disability benefit for all eligible clergy. Clergy who begin a new position after a break in service (or following ordination or reception) will be covered as soon their first pension assessment is received.

If a cleric becomes ill or injured and is limited from performing duties of his/her ministry or occupation for more than 30 days (the "Elimination Period") and has been determined to be disabled for a qualified physician, the cleric may submit a claim for disability benefits.

Disability payments will equal 70% of Total Compensation as reported the Church Pension Fund, up to \$1,000 per week, for a maximum of 52 weeks.

The employer will receive the disability payment for the first six months once the cleric's disability claim has been approved and the Elimination Period satisfied. The employing parish is expected to continue pension assessment payments to the Church Pension Fund as billed during the period of disability.

Long-Term Disability Coverage

If you become seriously disabled before you retire or reach age 65, you may be eligible to receive a disability pension. Disability benefits are determined by the formula for normal retirement based on your highest average compensation and credited service projected to age 65.

This benefit is for total disability only. You may not work part-time and receive full disability benefits.

For a full description of plan benefits, please visit the Church Pension Group website at www.cpg.org or contact Pension Services at (866) 802-6333.

**Diocesan Resolution Concerning Clergy Life Insurance
Episcopal Diocese of Western Massachusetts
Diocesan Convention, November 5, 1994**

Whereas, the Church Pension Group is providing up to \$100,000 life insurance coverage to all clergy persons for whom pension payments are being made beginning on January 1, 2009; and

Whereas, any additional employer-paid premiums for life insurance are liable for taxation as income; be it therefore

Resolved, that parish and missions be no longer required to provide the cost of life insurance for their clergy staff.

A life insurance benefit is provided to active clergy while they are working and meet eligibility requirements through the Church Pension Fund. This benefit is equal to two times current compensation, with a maximum value of \$100,000.*

***Effective 1/1/09, the benefit for active clergy was enhanced and is equal to two times current compensation, with a maximum value of \$100,000.**

Section 4.13: Housing Equity Allowance

A housing equity allowance should be considered for clergy living in church-owned rectories. Diocesan guidelines, established by a resolution passed by our Diocesan Convention in 1992, recommend that clergy living in church-owned rectories be provided an equity allowance to recognize their need for housing upon retirement. The recommended formula is 1% from priest's salary to 2% of contribution by the church budget up to a maximum of 3% and 6% (See Table below for examples). The idea is to provide the clergy person with this additional amount to contribute to a tax-deferred annuity that will provide either a lump sum for the purchase of a home at retirement or to provide an income to be used toward rent or mortgage payments for housing after retirement.

The desire to retain the church-owned rectory model is to protect the church in the long run, particularly from real estate and interest rate fluctuations that necessitate major increases in housing allowances when the present rector leaves.

The example that follows illustrates how percentages are calculated for the cleric and parish.

<u>Annual Salary</u>	<u>Clergy Contribution</u>	<u>Parish Contribution</u>	<u>Total TSA Contrib</u>
\$32,000	\$ 320 (1%)	\$ 640 (2%)	\$ 960
\$32,000	\$ 640 (2%)	\$1,280 (4%)	\$1,920
\$32,000	\$ 960 (3%)	\$1,920 (6%)	\$2,880

Section 4.14: Benefits for Clergy Employed Less Than Full-time

All the benefits outlined in this section should also be provided to clergy whose employment with the congregation is less than full-time. In such instances, the cost of providing these benefits may be pro-rated.

Section 4.16: Clergy Children Educational Grants Program

The intention of this program is to provide a modest scholarship grant to children of Parochial Clergy and Clergy financially supported by the Diocese thereby removing them from competition with classmates from their Parish who would be applying for Bement/Waterfield Education Grants. Other clergy family children who do not qualify for a grant under the following Eligibility Requirements may apply for a Bement/Waterfield Education Grant.

The full text of the program can be found in the pages immediately following this section.

Diocese of Western Massachusetts
Clergy Children Educational Grants Program

A. Statement of Purpose

The intention of this program is to provide a modest scholarship grant to children of Parochial Clergy and Clergy financially supported by the Diocese thereby removing them from competition with classmates from their Parish who would be applying for Bement/Waterfield Educational Grants. Other clergy family children who do not qualify for a grant under the following Eligibility Requirements may apply for a Bement/Waterfield Education Grant.

B. Eligibility Requirements

1. Clergy who are serving in full-time parochial positions or who are employed full-time by the Diocese and are canonically and physically resident in the Diocese for a period of:
 - a. More than 5 but less than 10 years
 - b. 10 years or moremay apply for a grant of (a) \$600 or (b) \$1,200 respectively per scholastic year for each dependent child either natural-born or legally adopted, who then is or is immediately about to be enrolled and attending full time at secondary school (including high school) or college (including Junior or Community College, School of Nursing).
2. Clergy who are serving a Parish, a Mission or the Diocese part-time may apply for a grant equal to 1/6 of the above-stated amounts for each full day per week of such contracted part-time employment at the time of application for each eligible child.
3. Deacons are not eligible for this program. However, time spent as an employed Deacon prior to ordination to the Priesthood will count toward the length of service requirements stated above.

C. Administrative Procedures

1. A maximum of eight such grants may be made for any one child, and grants will be disbursed each semester per each scholastic year.
2. Each semester, the student must file an application on a form provided by the Diocese. Applications must be submitted prior to the start of each semester.
3. Grant payments will be made directly to the student. Students must submit copy of invoice for related semester with application in order to receive payments.
4. This program does not give clergy or their eligible children any vested rights or claims for any grants or funds from which such grants may be made. The program may be terminated or amended at any time by the Bishop and Council, or by the withdrawal, discontinuance or decrease of appropriations by the Trustees for the Diocese of Western Massachusetts to the extent such appropriations support this program.

Revised by Diocesan Council December 14, 1978

Revised by Diocesan Council April 19, 1979

Revised by Diocesan Council May 16, 1985

Section 5

Compensation for Lay Employees

Section 5: COMPENSATION FOR LAY EMPLOYEES

The lay staff members are dedicated individuals who have chosen to use their gifts to work for the church. Many of them have worked without complaint for lower wages and fewer benefits (or no benefits) than they might have had if they had sought secular employment. It is a matter of equity, fairness, and justice that the dedicated lay employees who work for the church receive compensation which recognizes the value of their work. Hence, our church, through General Convention meeting in Phoenix in 1991 and most recently in 2009, addressed important compensation issues that affect lay church employees.

Section 5.01: Position Descriptions

Jobs are defined in position descriptions, written documents that define in detail the understandings and expectations of what the job entails and specify the various areas of responsibility to be assumed by the job holder. The ideal time to develop such a job description is when the parish is seeking to fill the position, be the position the rector, parish secretary, etc. This will give those who will make the employment decision a sound basis for deciding among candidates. It will also become the basis for performance appraisal after the person is hired to fill the position.

Some brief position descriptions for some of the most prevalent lay parish positions are included with the salary ranges for the positions of Parish Secretary/ Administrative Secretary, Sexton-Maintenance and Mechanic, Parish Musician, Christian Education Director/Coordinator and Parish Nurse positions can be found on the Diocesan website www.diocesewma.org, please go to the Diocesan Resource Center section and then to the Financial Documents and Forms section for the current lay salary information. This information may serve as a beginning for the development of a written position description which will fit the position in your parish.

Section 5.02: Salary Ranges

In 2000, salary guidelines were established for lay employees. These guidelines are intended to assist congregations in the determination of appropriate levels of compensation. They display a range of compensation—minimum, midpoint, maximum. Experienced individuals who are performing well on the job should receive compensation that is very near, at, or above *the mid-point* of the range regardless of their tenure at the parish.

Salary ranges for the positions of Parish Secretary/ Administrative Secretary, Sexton-Maintenance and Mechanic, Parish Musician, Christian Education Director/Coordinator and Parish Nurse positions can be found on the Diocesan website www.diocesewma.org, please go to the Diocesan Resource Center section and then to the Financial Documents and Forms section for the current lay salary ranges.

Section 5.03: Employee Benefits for Lay Employees

As noted at the beginning of this section our church has become mindful of the fact that far too many of its lay employees receive no employee benefits, no retirement benefits and no health or life insurance. To begin to correct this situation, General Convention passed resolutions with major implications for parishes and the lay people they employ. The text of these resolutions appears in the pages immediately following this section. They make it mandatory that congregations provide pension benefits and medical insurance benefits **no later than January 1, 2013** to all eligible lay employees who meet certain employment requirements as noted below.

Section 5.04 Pension Benefits for Lay Employees

All congregations and other church institutions are required to provide pension benefits not later than January 1, 2013 for all lay employees who are scheduled to work a minimum of 1,000 hours annually as stated in the following General Convention resolution:

2009 General Convention Resolution A138 Establishing a Mandatory Lay Employee Pension System

Resolved, the House of Deputies concurring, That this Church establish a mandatory lay employee pension system for employees who are scheduled to work a minimum of 1,000 hours annually for any domestic Diocese, Parish, Mission or other ecclesiastical organization or body [subject to the authority of the Church](#), in accordance with the following principles:

- 1. The lay employee pension system shall provide benefits that shall, initially, include defined benefit plan(s) and defined contribution plan(s);*
- 2. If a defined benefit plan is selected, the employer assessment and/or contribution shall be not less than nine (9) percent of the employee's compensation; if a defined contribution plan is selected, the employer shall contribute not less than five (5) percent of the employee's compensation and match at least four (4) percent of the employee's contributions. The Trustees of The Church Pension Fund shall have the authority to increase or decrease the assessment and/or contribution percentages required for the lay pension system;*
- 3. Existing defined benefit plans will be permitted to continue as long as their plan design delivers pension benefits not less than the pension benefits required by this Resolution, as determined by the plan administrator. If the plan does not provide the pension benefits required by this Resolution, such plan shall be amended to provide for such pension benefits no later than January 1, 2012.*
- 4. The lay employee pension system shall be designed and administered by the Trustees and officers of The Church Pension Fund; the investment managers of the system shall initially include, but not necessarily be limited to, The Church Pension Fund and, in the case of a defined contribution plan offered to school employees, TIAA-CREF;*
- 5. The lay employee pension system will be operated on a financially sound basis, as determined by the Trustees of the Church Pension Fund;*
- 6. Other societies, organizations, or bodies in the Church not mandated to participate may, under the regulations of The Church Pension Fund, elect to come into the lay employee pension system;*
- 7. No right or obligation to have assessments paid on compensation paid prior to plan participation will be part of the mandatory lay employee pension system;*
- 8. Service in the Episcopal Church prior to plan implementation shall be recognized for vesting purposes;*
- 9. The implementation of the mandatory lay employee pension system shall be completed no sooner than January 1, 2011 and no later than January 1, 2012; and*
- 10. Further study be undertaken by The Church Pension Fund on the feasibility of inclusion of overseas Episcopal dioceses in the lay employee pension system and report back to the 77th General Convention.*

Section 5.05: Group Medical Insurance Benefits for Lay Employees

Additionally, a second resolution passed at General Convention in 2009 requires all parishes, missions, and other ecclesiastical organizations or bodies subject to the authority of this Church to provide health and life insurance benefits to all lay employees who work a minimum of 1,500 hours annually and that these benefits be comparable to those provided to active clergy. **(The text of the resolution appears on the page immediately following this section.)**

More information and enrollment materials can be obtained by contacting the Diocesan Human Resources Department at 1-800-332-8513 or (413) 737-4786.

Section 5.06: Group Dental Plan

An individual has the opportunity to join the group dental plan within 30 days from date of hire provided she/he works a minimum of 1,000 hours annually. An enrollment form may be obtained from the Diocesan Human Resources Department. If you do not enroll within 30 days of your date of hire, you will be required (by the carrier) to submit a dental health statement for yourself and each dependent.

The plan covers you and each enrolled dependent (up to the maximum benefit, see below) for:

Basic dental services (cleaning + routine exam)

Other procedures, as specified on the carrier's schedule (this is available by contacting the Diocesan Human Resources Department at 1-800-332-8513 or (413) 737-4786.

There is an annual deductible of \$50 for an individual policy and \$150 for family coverage. The deductible does not apply to your three yearly exams. The maximum annual benefit in a given benefit year is \$1500 per enrollee. You will be reimbursed according to the schedule of allowable benefits at the following rates:

Exam w/cleaning and X rays: 100% (subject to annual benefit maximum)

Basic services: 85% (subject to annual benefit maximum)

Major Services: 50% (subject to annual benefit maximum)

Except for biannual examinations, routine procedures(such as fillings), and emergencies, a pretreatment estimate must be submitted to the carrier for prior approval or the claim will be denied automatically.

The dental plan covers permanent full-time or part-time (those working a minimum of 1,000 hours annually) lay employees and their dependents.

General Convention Resolution Concerning Health and Insurance Benefits for Lay Church Employees

Resolution A177-Denominational Health Plan

Resolved, the House of Deputies concurring, That this church establish The Denominational Health Plan of this church for all domestic dioceses, parishes, missions, and other ecclesiastical organizations or bodies subject to the authority of this church, for clergy and lay employees who are scheduled to work a minimum of 1,500 hours annually, in accordance with the following principles:

- 1. The Denominational Health Plan shall be designed and administered by the Trustees and officers of The Church Pension Fund, following best industry practices for comparable plans;*
- 2. The Denominational Health Plan shall provide that, subject to the rules of the plan administrator, each diocese has the right to make decisions as to plan design options offered by the plan administrator, minimum cost-sharing guidelines for parity between clergy and lay employees, domestic partner benefits in accordance with General Convention Resolution 1997-C024 and the participation of schools, day care facilities and other diocesan institutions (that is, other than the diocese itself and its parishes and missions) in The Denominational Health Plan;*
- 3. The Denominational Health Plan shall provide benefits that are comparable in coverage to those benefits currently provided by the domestic dioceses and parishes of this church;*
- 4. The Denominational Health Plan shall provide equal access to health care benefits for eligible clergy and eligible lay employees;*
- 5. The Denominational Health Plan shall provide benefits through The Episcopal Church Medical Trust, which shall be the sole plan sponsor for such benefits and continue to be operated on a financially sound basis;*
- 6. The Denominational Health Plan shall have a church-wide advisory committee that is representative of the broader church and appointed by The Church Pension Fund, and such church-wide advisory committee shall receive an annual report about the status of The Denominational Health Plan;*
- 7. For purposes of this Resolution, the term "domestic" shall mean ecclesiastical organizations and bodies located in the United States, including the Dioceses of Puerto Rico and Virgin Islands;*
- 8. The Church Pension Fund shall continue to work with the Dioceses of Colombia, Convocation of American Churches in Europe, Dominican Republic, Ecuador Central, Ecuador Litoral, Haiti, Honduras, Micronesia, Taiwan and Venezuela to make recommendations with respect to the provision and funding of healthcare benefits of such dioceses under The Denominational Health Plan; and*
- 9. The implementation of The Denominational Health Plan shall be completed as soon as practicable, but in no event later than by the end of 2012.*

Section 5.07 Group Life Insurance

Parishes are required by resolution of our 1997 Diocesan Convention to provide life insurance to eligible lay employees as of January 1, 1998.

Lay employees are eligible for this coverage if they work 20 or more hours a week consistently on a year-round basis. The level of coverage provided to an employee working 20-27 hours is \$25,000 and \$50,000 for those working 27 or more hours.

Enrollment forms can be obtained by contacting the Diocesan Human Resources Department at 1-800-332-8513 or (413) 737-4786. **(The full text of the resolution appears on the page immediately following this section.)**

**Diocesan Resolution Concerning Lay Life Insurance
Episcopal Diocese of Western Massachusetts
Diocesan Convention, November 8, 1997**

RESOLVED, that this 96TH Convention of the Diocese of Western Massachusetts meeting on November 7 & 8, 1997 at St. Stephen's Church, Pittsfield, provide both lay employees of the diocese and/or those lay employees of our member churches who are under age 65 and work:

1. 20 hours but less than 27 hours a week on average year-round with \$25,000 of Group Life Insurance that includes \$5,000 of spouse coverage with Accidental Death and Dismemberment coverage (AD&D) or
2. more than 27 hours per week on average year-round with \$50,000 of Group Life Insurance that includes \$10,000 of Spouse coverage with AD&D

the premiums to be paid by the employer (present annual cost is \$12.00 and \$24.00 respectively per annum).

Section 5.08: Employee Separation Allowance

The Diocese of Western Massachusetts and its parishes are not subject to unemployment insurance. As a result, if an individual is terminated involuntarily, not involving misconduct, they are not eligible to collect unemployment benefits. See following page for full text of the policy that *applies to members of Diocesan staff only* as approved by Diocesan Council at their June 1999 meeting.

EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS

Employee Separation Allowance for Members of Diocesan Staff

The Diocese is not eligible to participate in the Massachusetts unemployment insurance program. In the event that you have worked for the Diocese for more than three (3) months and your employment with the Diocese is terminated by the Diocese as a result of lay-off or unsatisfactory job performance not involving misconduct on your part, the Diocese will provide a weekly separation benefit equal to one-half of your regular gross weekly earnings. The weekly separation benefit will be paid for a maximum of twelve (12) weeks or until you begin other employment, whichever occurs first.

Approved by Diocesan Council on June 24, 1999

Section 6

Paid Time Off

Section 6: PAID TIME OFF

As noted earlier, a policy concerning paid time off is an important element of an overall human resources management policy. The congregation should identify its policy for paid time off for its employees. Paid time off, in the form of paid vacation, should be provided for all employees, based perhaps on the length of service and type of work performed. In addition, the holidays for which employees will be paid should also be identified. **Each type of paid time off is discussed in the following pages with suggestions for the guidelines the congregation may follow in establishing its policy.**

Section 6.01: Vacation Pay

It is usual for congregations to provide a minimum of one month's vacation for their clergy. Clergy who are employed less than full-time should also be granted one month's vacation.

Vacation policies for lay employees vary. The norm is to provide a minimum of two week's paid vacation for lay employees after they have been employed for a period of six months to a year. Additional weeks of vacation can be provided based on length of service. Many employers provide employees a third week after five or seven years of service. A fourth week of paid vacation is sometimes given after ten years of service.

Paid vacation should also be granted to permanent part-time employees based on the number of days they normally work and their rate of pay.

The total amount of vacation time will depend upon the employee's length of employment, as shown in the following schedule. (It should be noted that the Diocesan House Policy(left column) provides a generous vacation schedule. **The right hand column shows a schedule that is more reflective of norms in business and industry.**

<u>Length of Employment</u> (Diocesan House)	<u>Vacation</u>	<u>Length of Employment</u> (Industry Norm)
At least six months But less than one year	One week (5 days) paid vacation	At least six months but less than one year
At least one year, But less than three years	Two weeks (10 days) paid vacation	At least one year, but less than five years
At least three years But less than five years	Three weeks(15 days) paid vacation	At least five years, but less than 15 years
At least five years	Four weeks(20 days) paid vacation	At least 15 years but less than 20 years

Section 6.03: Clergy Study Leave

Clergy Study Leave Policy

Enacted by Diocesan Council 1/9/03

Introduction

Research has demonstrated that study leaves provide an opportunity for growth and health for both the priest and the congregation. The priest may garner or develop new ideas and directions and may return refreshed with deeper commitment to the parish. Thus, study leaves for clergy are essential to the development of healthy, mission-focused congregations. The following policy is offered in the context of a series of expectations:

- It is the expectation that the study leave can be for education and refreshment.
- It is the expectation that the priest will provide to the Vestry an outline of a plan before the study leave begins and a report after it is concluded.
- It is the expectation that the parish will set aside funds on an annual basis for a study leave.
- It is the expectation that funds will be provided only for the priest (and not the family).
- It is the expectation that the priest will remain in his/her cure for at least a year after a study leave.

Policy

- All previous Diocesan study leave policies are repealed.
- Each congregation in the Diocese of Western Massachusetts shall establish a line item in its parochial budget of \$500 per full-time priest per year, or make other adequate provisions so that \$2,500 will be available at the time of the study leave; a pro-rated amount for each part-time priest per year.
- Eligibility for study leaves will be, at a minimum after five years of tenure, and priests who change cures within the Diocese will be eligible after four years in their new cure. Full time clergy will receive three (3) months study leave, and part-time clergy will be pro-rated as follows: half-time clergy - six (6) weeks of study leave, and quarter-time clergy - four (4) weeks of study leave. All study leave is granted in addition to regular vacation time and annual continuing education time.
- The parish will continue to provide the priest with regular salary and benefits during study leave.
- The parish will provide \$2,500 in expense money to the priest, and budget adequate funds per Diocesan guidelines for supply clergy during the priest's leave.
- The Diocese will provide a stipend for study and travel of up to \$2,500 per full-time priest and the priest will present to the Diocese a request for funds, with a tentative plan and budget before the end of January of the calendar year preceding the study leave.
- Congregations of the Diocese will include the provisions of this study leave policy in the priest's Letter of Agreement.

Section 6.04: Continuing Education Grants

The diocesan program for continuing education is intended to provide supplemental assistance in addition to the other financial resources (parish, personal, diocesan commission, committee or other) of the applicant. These grants may be used to complement funds from diocesan commission or committee budgets in order to provide for participation in continuing education events that undergird commission or committee mandates.

No grant shall exceed 50% of the total anticipated costs of the continuing education program, unless this limitation is waived by the Bishop. In the case of parochial clergy, it is expected that the parish will provide a portion of the cost of the proposed program. As a guideline, it is suggested that every parish provide at least \$200.00 and the diocesan standard of one week (in addition to vacation time) annually for continuing education for each full-time cleric in its employ. No grant for continuing education programs shall exceed \$300 in one year, unless such limitation is waived by the Bishop.

1. ELIGIBILITY

Any parochial cleric whose Vestry or Executive Committee endorses the proposed program of continuing education is eligible to apply.

Applications are available from the Office of the Canon to the Ordinary at Diocesan House, 37 Chestnut Street, Springfield MA 01103 or by calling 1-800-332-8513 or (413) 737-4786.

Section 6.05: Maternity Disability Leave Policy

Every full-time employee who has completed the “initial probationary period” (a time period not to exceed 6 months) is entitled to at least eight (8) weeks maternity leave without pay for the purpose of giving birth or adopting a child up to the age of 18 or, in the case of children who are mentally or physically disabled, up to the age of 23 years of age without loss of seniority or benefits.

It is also appropriate that the parish should at least provide coverage similar to the Massachusetts Disability Law. Parishes having a more liberal existing policy may utilize their policy. Parishes wishing to extend additional benefits may do so to include any earned but unused time to enhance this policy, i.e., sabbatical leave, vacation or study leave.

The parish will provide work for employees covered under the Maternity Leave Program at the end of the disability period of a similar nature, and at the same rate of pay as the work performed prior to disability. The parish may also hire a temporary replacement during the leave period. Employees who choose not to exercise their reemployment rights under this program are expected to inform the parish as soon as possible.

It will be the responsibility of the Rector of the parish to administer this policy. In the absence of the Rector or if the Rector is requesting the leave of absence, the Vestry will administer the Policy. Exceptions and/or extensions should be reviewed with the Vestry for approval.

Section 7

Other Time *Away* from Work

Section 7.01 General Absences

Your Parish Human Resources Committee should consider developing policies to cover times when employees may need to be away from the job for a period of time. Generally, such a policy will vary depending upon the reason for the absence. The policies contained in this section are those used for members of diocesan staff and are merely guidelines for your reference in establishing a manual for your church.

Emergencies may arise where an employee will need some personal time away from the job. Also, scheduling of certain personal matters may, from time to time, conflict with work schedules. Generally, for employees paid on an hourly basis, no regular pay is earned or paid for personal absences, except as your policy may allow.

Your policy should indicate that you expect that requests for personal time away from the job will be minimal and that advance notice is expected. You might also remind employees that excessive personal absenteeism will be considered as a severe job performance difficulty and will be a key factor in evaluating an employee's overall job performance.

Finally, you should inform all employees that they are required to notify the rector or their immediate supervisor (usually within one hour, or some established time limit, after the beginning of the work day) in the event of absences of any kind and of any duration.

Section 7.02: Sick Leave

A full-time employee will be entitled to salary continuance in the event of sickness in accordance with the following schedule:

- A. A new employee will be credited with four days sick leave after one month of employment. After one month employment, sick leave will be credited at the rate of one-half day per month of continuous employment in your first calendar year at the Diocese.
- B. In your second anniversary year of employment, you are granted 15 days paid sick leave per year (or 3.75 days per quarter).
- C. In the third anniversary year of employment, you are granted 20 days paid sick leave per year (or 5 days per quarter).
- D. In the fourth anniversary year of employment, you are granted 25 days paid sick leave per year (or 6.25 days per quarter).
- E. In the fifth anniversary year of employment, you are granted 30 days paid sick leave per year (or 7.5 days per quarter).
- F. Sick leave may not be carried over from one year to the next.

This program will be administered in the following manner:

- 1. Each half-day or full day of absence will be deducted from the employee's sick leave.
- 2. Paid sick leave for a regular part-time employee is prorated to the average number of hours you worked in the previous quarter.
- 3. If an employee's sick leave is exhausted, any absence due to illness will be without pay or the employee may elect to use accrued vacation.
- 4. Should your illness or injury be expected to continue beyond a period of 30 days, please see below for Short and Long-Term Disability policy information.

COORDINATION OF BENEFITS

Disability Coverage-Lay Employees of Diocesan Staff

The Diocese has both a short-term and long-term disability policy that provides a benefit for lay employees of diocesan staff working 20 or more hours per week and compensated. If an individual is unable to perform the duties of his or her ministry or occupation due to an injury or illness for at least 30 days, he/she can submit a claim for weekly short-term disability benefits. This benefit provides 70% of the employee's compensation up to a maximum of \$1,000 per week and begins after 30 days of disability. Benefits are paid under this policy for a maximum of 52 weeks. A long-term disability benefit would be considered after 90 days of continuous disability.

If you are absent from work and anticipate that your illness or injury will extend beyond a 30-day period, please contact the Diocesan Human Resources Department to arrange for a claim to be filed with the diocesan insurer in a timely manner. This will help to ensure that there is no interruption to your benefits during your absence.

Disability Coverage-Clergy Employees

For clergy, both short-term (effective January 1, 2004) and long-term disability protection is provided through the Church Pension Fund. The following explanation is taken directly from the Church Pension Fund Handbook as follows:

Disability Protection

“If a clergy person becomes seriously disabled before retirement, they may be eligible to receive a disability pension. To qualify, the clergy’s physician must certify that the disability is total and continuing, and The Fund’s Medical Board must concur. If a member of the clergy resigns their position for health reasons, an application should be filed with the Church Pension Fund to determine if benefits are available.

Benefits are determined by the formula for normal retirement, based on the clergy person’s highest average compensation (HAC) and possible projected credited service. Before age 65, The Fund’s Medical Board reviews your disability at least once a year to determine whether benefits should continue. If the clergy person is still disabled at 65, disability payments continue for life.

Until you reach age 65, The Fund’s Medical Board reviews your disability at least once a year to determine if benefits should continue. If you are still disabled at age 65, disability payments continue for life.

Annual Disability Benefits are based on your HAC and your applicable Projected Credited Service applying the basic formula for Normal Retirement. After approval, the benefits are paid monthly, and may be retroactive to the first of the month in which your application is received.

“ Please note a Disability Retirement is for Total Disability. You may not work part time and receive this benefit.

7.03 Personal Time Off

You are eligible to receive personal days in recognition of the need to take care of emergencies or other personal business that conflicts with your work schedule based on the following service requirements:

- 1) after completing one year of employment, you are eligible to receive one personal day,
- 2) after completing three years of employment, you are eligible to receive two personal days,
- 3) after completing five years of employment, you are eligible to receive three personal days.

Personal Time Off may not be:

- Taken in segments of less than ½ day, or
- Combined with a vacation or holiday, except in an emergency, or
- Carried over from one year to the next
- May not be paid out on termination of employment.

Section 7.04 Bereavement Leave

It is suggested that up to three (3) consecutive work days off be given with pay, up to and including the day of a funeral, in the event of the death of a member of an employee's immediate family. Immediate family includes: husband, wife, child, mother, father, sister, brother, mother-in-law, father-in-law, grandparent, grandchild, step or legal relative who lives in the employee's household.

Section 7.05: Workers Compensation

Workers compensation insurance provides benefits for an employee who is injured on the job. During the continuance of Worker's Compensation payments, the parish could, at its discretion, make up the difference between the employee's normal take home pay and the level of Worker's Compensation benefits. A Worker's Compensation benefit is not taxable and is normally 66% of pay. Such absence will not be considered under Sick Day benefits during the period of such actual payments.

Section 7.06: Jury/Military Duty

Churches will want to discuss how they deal with jury and/or military duty for lay employees.

1. Jury Duty: Jury Duty is considered to be a civic obligation for all employees and exemptions from such duty are not encouraged. An employee called to jury duty will reimburse the parish in the amount paid for jury duty. Salary to the employee will be continued during the term of jury duty.

Employers are required to pay regular or normal wages to “regularly employed” jurors for the first three days of jury service. Regular employment shall include part-time, temporary and casual employees provided their hours of employment may be determined by a schedule or practice during the three month period preceding their term of service. Jury Commission spokespersons have indicated that average hourly earnings, including regularly scheduled overtime and shift differentials, should be used to determine regular or normal wages. On the **fourth day**, and each day thereafter, each trial juror will receive fifty dollars per day from the Commonwealth. If you are required to serve as a juror, the parish will pay the first three (3) days of jury duty at your normal base rate. If this case lasts longer than three days, then upon receipt of a jury slip or court summons, the church will pay the difference between your base rate of pay and the fees received from the courts. You must notify us in advance of absence due to jury duty.

Military Duty: Any employee of the Diocesan House who is a member of the military reserve of the National Guard and who is required by military authorities to undergo an annual two-week field training exercise shall be paid the difference between his/her weekly salary paid by the military organization. A voucher attesting to the salary paid by the military organization must be presented before the differences in salary will be paid. (Note: For some, military pay may be greater than the regular weekly church salary.) The period spent in military training shall not be considered as vacation time and accrued benefits will continue to accrue during military leaves.

Section 8

Problem Review

Section 8: PROBLEM REVIEW

Another important reason for each congregation to have a standing or permanent Human Resources or Personnel Practices Committee is to assist at times when problems may arise in the employment relationship. Such a committee can serve as a body of advice and counsel to the Rector at times when the Rector feels the need for some assistance with an employee relations matter, i.e., a job performance or employment matter. A Human Resources Committee can help the Rector develop strategies that will assist all parties so that the employment relationship will once again function in a fully satisfactory manner.

A Human Resources or Personnel Practices Committee may also be a body to which an employee of the church can turn if he or she feels there is difficulty in the employment relationship that person has with the rector, with another member of the staff, or with a volunteer member of the congregation. It should be stated in the strongest terms that any employee of the church should first take problems she or he may be having to the rector, since every employee of the church "reports to the rector." The rector is the "Chief Executive Officer" of the parish, to use a term from secular management. Therefore, the first step is to discuss the problem with one's boss, with the rector. But if, after discussion with the rector, the employee feels the problem has not been satisfactorily addressed, that person should have the opportunity to bring the matter to the attention of the parish's Human Resources or Personnel Practices Committee.

In any employment situation it is always advisable to have a vehicle for problem review. The Human Resources Committee of each parish can serve as that important body. In an advisory capacity, the Human Resources Committee's purpose is to give counsel, advice, and support to the rector. It should be noted that the committee will be supporting the rector even when it recommends the rector handle a situation in a different manner than the rector had planned. And even though the Human Resources Committee may ultimately "back up" and support the decision of the rector, having a vehicle for problem review should give the employee the knowledge that their concerns have been heard and considered. So the existence of a system or problem review in the parish will serve the needs of the rector, of the other employees of the church, and ultimately of the entire congregation.

Section 9

Expense Reimbursement

Section 9: EXPENSE REIMBURSEMENT

As noted at the beginning of this manual, expense reimbursement, while not technically compensation, enhances the compensation you pay by preventing the people you employ to assist you in the mission of the congregation from having to bear these expenses from their taxable pay. It is important for the congregation to develop formal policies and procedures concerning expense reimbursement because the Internal Revenue Service has developed new regulations concerning expense reimbursement. Failure to develop formal policies and procedures concerning expense reimbursement may have negative consequences either for the congregation or for its employees.

Section 9.01: Full Expense Reimbursement Policy

A parish may offer the clergy a full reimbursement policy covering both auto and other professional expenses. A reimbursement policy should be in writing, and it should clearly specify what expenses the church will reimburse. It should also describe the documentation and reporting that will be required to protect both the parish and the clergy person. Reimbursements should not be limited to automobile expenses since most clergy have a considerable amount of other business and professional expenses that they pay out of their own funds. These types of professional expenses should not be paid for from the Rector's Discretionary Fund. (Guidelines for Discretionary Funds are covered in Section 10 of this manual.) *It is typical for such expenses to be capped, based upon an annual budget.*

Stated simply, if a vestry adopts a reimbursement policy satisfying the requirements for an adequate accounting, then a clergy person (and other lay employees that may be included in the policy) in effect "reports to the church" rather than to the IRS concerning professional expenses. The church does not include the amount of reimbursements on the W-2, and the clergy person does not report them as part of his/her wages on Form 1040. This can cost the church nothing, once it identifies a line item in the church budget for clergy professional expenses, yet may result in significant tax savings to the clergy person.

Professional expenses other than auto expenses would include such things as entertainment for church/business purposes, books, subscriptions, telephone, vestments, workshop/conference registration fees, etc. As noted in the preceding paragraph, the reimbursement policy should also be established for lay employees.

A sample resolution which the vestry might adopt in order to implement a full reimbursement policy appears below:

The following resolution was duly adopted by the vestry of (name of parish) at a regularly scheduled meeting held on (fill in the date), a quorum being present:

The Church hereby adopts an accountable expense reimbursement policy upon the following terms and conditions:

Whereas, income tax regulations 1.162-17 and 1.274-5T(f) provide that employees "need not report on their tax return" expenses paid or incurred by them solely for the benefit of their employer for which they are required to account and do account to their employer and which are charged directly or indirectly to the employer; and

Whereas, income tax regulation 1.274-5T(f) further provide that "an adequate accounting means the submission to the employer of an account book, diary, statement of expense, or similar record maintained by the employee in which the information as to each element of expenditure (amount, time and place, business purpose, and business relationship) is recorded at or near the time of the expenditure together with supporting documentary evidence, in a manner which conforms to all the 'adequate records' requirements" set forth by the Internal Revenue Service; and,

Whereas, (name of parish) desires to establish a reimbursement policy pursuant to regulations 1.162-17 and 1.274-5T(f); be it therefore,

Resolved, that (name of parish) hereby adopts a reimbursement policy pursuant to income tax regulations 1.162-17 and 1.274-5T(f), upon the following terms and conditions:

(1) Any minister (and any other lay employee identified by job title or classification) now or hereafter employed by (name of parish) shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the church, if the following conditions are satisfied: (i.) the expenses are reasonable in amount; (ii.) the employee documents

the amount, time and place, business purpose, and business relationship of each such expense with the same kinds of documentary evidence as would be required to support a deduction of the expense on the employee's federal income tax return; and (iii.) the employee documents such expenses by providing the church treasurer with an accounting of such expenses, no less frequently than monthly. **In no event will an expense be reimbursed if substantiated more than 60 days after the expense is paid or incurred by the employee or if the amount exceeds the agreed upon business expenses which are subject to an annual budget.** Examples of reimbursable business and professional expenses include local transportation, overnight travel (including lodging and meals), entertainment, books and subscriptions, education, vestments, and professional dues. Under no circumstances will the church reimburse any employee for business or professional expenses incurred on behalf of the church that are not properly substantiated according to this policy. Church and staff understand that this requirement is necessary to prevent our reimbursement plan from being classified as a "non accountable" plan.

(2) Any church reimbursement that exceeds the amount of business or professional expenses properly accounted for by an employee pursuant to this reimbursement policy must be returned to the church within 120 days after the associated expenses are paid or incurred by the employee, and shall not be retained by the employee.

(3) Reimbursements shall be paid out of church funds, and not by reducing pay checks by the amount of business expense reimbursements.

(4) Cellular phones and personal computers. The Church will not reimburse cellular phone or personal computer expenses of an individual who is treated as an employee for federal income tax reporting purposes unless the employee's use of a cellular phone and personal computer meets the following two tests:

- a. *Convenience of the employer.* Use of the cellular phone or computer must be "for the convenience of the employer." This means that the minister cannot perform his or her job without the cellular phone. The fact that the phone enables a minister to perform his or her work more easily and efficiently is not enough. Further, it must be demonstrated that the phones available at the Church are insufficient to enable the minister to properly perform his or her job.
- b. *Condition of employment.* Use of the cellular phone or computer must be required as a "condition of employment". It is not necessary that the Church specifically requires use of cellular phones. On the other hand, it is not enough that the Church merely states that use of the cellular phone is a condition of employment.

(5) The Church shall not include in an employee's W-2 form the amount of any business or professional expense properly substantiated and reimbursed according the preceding paragraph, and the employee should not report the amount of any such reimbursement as income on his or her Form 1040.

(6) All receipts and other documentary evidence used by an employee to substantiate the business nature and amount of the business and professional expenses incurred on behalf of the church will be retained by the Church.

(7) For purposes of this policy, the term "employee" shall include the following persons: _____

The source of this suggested resolution is from *Church Law & Tax Report: Church & Clergy Tax Guide*, 2010 edition, published by Christian Ministry Resources.

Section 9.02: Auto Expense Reimbursement

One way for the parish to make sure that it is paying its priest full reimbursement for the priest's auto expense while on church business is for the parish to provide an automobile owned or leased by the church for use by the rector. The most straightforward but perhaps not the most practical method is for the church to provide the use of an automobile that the priest drives only on church business. Being more practical, some parishes provide the automobile and also allow the priest to use it for personal business. In such case, the priest should keep track of miles that are not business related, and the parish should include the cost basis for those miles on the W-2 as additional compensation. Providing an automobile may not be feasible for many congregations given expense constraints and liability concerns.

With a full reimbursement policy, auto expenses may be reimbursed on an actual cost method or by using the IRS standard mileage rate for the current year. While this used to apply only until the auto had been driven 60,000 miles (at which time it was considered fully depreciated) there is no longer this 60,000 mileage limit. If the parish adopts a policy of reimbursement for auto expenses, the clergy person should keep and submit a log (either of actual expenses or miles driven while performing the duties of the position) on which the reimbursement would be based.

The least desirable way to pay clergy auto expenses is to make an annual payment or monthly fixed payments (commonly called an auto allowance) to cover potential expenses. Often that amount has no relationship to the expenses clergy actually incur. In addition, the auto allowance becomes taxable income for the clergy offset by expenses that may or may not be fully deductible because of the 2% floor.

Section 9.03: Professional Expense Documentation

With full reimbursement of expenses, it is absolutely essential that the clergy, and any other employees receiving reimbursement, maintain and submit records that will substantiate the business and professional expenses and reimbursements. This will protect the interests of both the parish and the priest. **The actual forms you can use for expense reimbursement can be found in the pages immediately following this section.**

Section 10

Guidelines for Administering Clergy Discretionary Funds

Section 10: GUIDELINES FOR ADMINISTERING CLERGY DISCRETIONARY FUNDS

The subject of discretionary funds often raises questions from both clergy and lay persons. The answers to the questions can have significant consequences for the priest, the church and persons who contribute to the discretionary fund.

Since clergy can unknowingly run afoul of IRS tax regulations, we believe that the diocese has a responsibility to suggest some guidelines for these funds which will encourage proper stewardship of moneys intended for those in need, and have therefore asked that this memorandum be prepared to guide clergy and parish treasurers in managing discretionary funds.

Section 10.01: Suggested Guidelines

1. The Rector's Discretionary Fund should be an account of the parish. (The same is the case of the Bishop's fund is an account of the Diocese). Although the Rector may write the checks and maintain the confidential records of the fund, the fund itself should belong to the parish. The bank account should be in the name of the church, (i.e., "Christ Church Rector's Discretionary Fund") with the church's tax ID number on the account. To preserve confidentiality, the priest can be the only signer.
2. An interpretation of the Canons suggests that moneys expended from the fund should be for "charitable and pious purposes." Hence, gifts to the poor, gifts to any recognized charitable organization and gifts to the church itself, are within the general intent of discretionary funds. Discretionary funds are not intended for the business expenses of the priest. (A separate line item in the operating budget of the parish should be established for the business or professional expenses related to the Rector's ministry.)
3. Because discretionary funds should be the property of the parish, gifts to them should be made to the church, rather than to the rector as an individual. A gift to the church is deductible to the donor whereas a gift to the priest is not.
4. A gift to a priest, not payable to the church, is not deductible by the donor. Further, if given in return for services rendered, such as for funerals, weddings, etc., it is taxable income to the priest.
5. A gift to the discretionary fund may be unrestricted, or, if restricted, should be designated for one of the legitimate purposes of the church. In other words, one cannot "run money through" a discretionary fund to send one's children to school or to pay for Aunt Hattie's stay in the nursing home even though there may be a need. Such a gift would not be deductible to the donor.
6. Because discretionary funds should be the property of the church, they should remain at the church when the rector is called elsewhere.
7. A separate bank account should be set up for discretionary funds. All gifts intended for discretionary funds, whether delivered to the church or to the rector, should pass through this account. The majority of checks written from this fund may not be of a confidential nature. On the other hand, when money is to be used for financial aid to individuals in situations that should be kept confidential, then a check can be written to cash. In this case, the priest should keep a private record whenever this is done to record the specific purpose of the check's payment. This is a protection to the priest in case of an IRS audit.
8. Since the discretionary fund is an account of the parish, it should be audited annually as part of the parish audit. Given the confidential nature of the transactions, arrangements should be made for someone to review the discretionary fund on a confidential basis.
9. The person administering discretionary funds is in a position very similar to that of a trustee, managing funds which belong to the church. She or he is handling funds which are not her or his own property. That person is therefore obligated to do so with a high degree of care, not to waste the funds, not to let them be commingled with personal funds, and finally to use them for the purposes for which they were entrusted to her or his care.

Section 10.02: The Canonical Basis for Discretionary Funds

The purposes for which discretionary funds may be used are outlined in the National Canon, cited below, that is, for the poor, and for other "charitable and pious purposes." Obviously gifts to the poor are its primary purpose. Within "other charitable and pious purposes" would certainly be included gifts to any recognized charitable organization (the same ones to which an ordinary individual could make a deductible gift), to the church itself, and for certain items such as vestments, books, and other professional items *which will remain the property of the church when the priest leaves.* (These are examples only, and not intended as an exclusive list. Furthermore, as suggested elsewhere, such items as vestments, books, and other professional items would be more appropriately paid for from a separate expense line item for Rector's Professional expenses.) The Canons of the Church say nothing about Discretionary Funds by name. The origin of discretionary funds apparently lies in Title III, Canon 14(f) of the National Church, dating back to 1814, which states:

"The Alms and Contributions, not otherwise specifically designated, at the Administration of the Holy Communion on one Sunday in each calendar month, and other offerings for the poor, shall be deposited with the Member of the Clergy in charge of the Congregation or such other Church officer as the Member of the Clergy in charge shall appoint to be applied to such pious and charitable uses as shall be thought fit by the Member of the Clergy. When a parish is without a Rector the Vestry shall appoint a responsible person to serve as Almoner."

While it is now often customary to supplement the discretionary fund with gifts from individuals and also from the church's general operating funds, one item is of particular importance in the Canon. The words "alms," "contributions" and "offerings" are used, which clearly mean that these are funds given to the church and which therefore belong to the church.

Section 10.03: A Further Look at What Type of Expenditures Clergy Should Consider Discretionary Fund Expenditures

Many of the expenditures which heretofore may have been made from discretionary accounts are not discretionary for pastoral purposes. These expenditures, such as those for continuing education, entertainment for business purposes, magazine and subscriptions, vestments, etc., are ordinary operating expenses of doing the priest's job. Such expenditures are better handled by a budget line item called "Rector's expenses". The amount budgeted should be worked out annually between the vestry and its rector. The discretionary fund should be saved for pastoral expenditures which must be kept discrete. This will give the parish the opportunity to understand what the expenses of its rector are, and to provide the necessary funds as other employers do. The preceding section suggests the proper way for the congregation and its employees to handle business and professional expenses.

Section 10.04: Conclusion

In conclusion, the discretionary fund is not now, nor was it ever, intended to be the personal property of the rector. These are monies that belong to the parish and are entrusted to the rector for proper distribution. With regard to taxes, money flowing from a church to the priest for the priest's personal use is generally taxable as income to the priest. Money given in exchange for services is taxable as income. Gifts are deductible only if given to an exempt organization, such as the church, but not if given to an individual, either directly or indirectly.

This entire section was adapted from (1) a memorandum dated September, 1989 written by Michael P. Porter, Chancellor of the Diocese of Hawaii, and (2) presentation notes of the Rev. William F. Geisler, Controller of the Diocese of California.