TREASURERS' NEWSLETTER

FOR 2019

EPISCOPAL CHURCH IN CONNECTICUT

PARTICIPATING IN GOD'S MISSION

September 2018

TABLE OF CONTENTS

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1 CLERGY COMPENSATION INFORMATION

1.1 2019 MINIMUM SALARY SCHEDULE (FOR ALL STIPENDIARY CLERGY INCLUDING TRANSITIONAL DEACONS)

The following schedule (w/comparisons from 2015 forward) was ratified by ECCT's Mission Council at its September 6, 2018 meeting for subsequent presentation to our Annual Convention on October 27, 2018, for its approval. If the proposed changes are approved by Convention, they should be reflected in parish budgets.

1.1.1 FULL-TIME CLERGY – MINIMUM CASH SALARY

	2015	2016	2017	2018	**2019**
% increase	1.50%	0.65%	0.70%	1.95%	**2.40%** ii
Transitional Deacons/ Priests first full year i, iii	$34,382.00	$34,605.00	$34,847.00	$35,527.00	**$36,380.00**
Full-time Assistants ordained ≥ one year i	$36,838.00	$37,077.00	$37,337.00	$38,065.00	**$38,979.00**
Rector / Priest-in-charge i	$41,754.00	$42,025.00	$42,319.00	$43,114.00	**$44,149.00**
Increment for each year of ordination up to 20 years iv *	$739.00	$744.00	$749.00	$764	**$782.00**
Minimum for 20 years of ordination	$56,532.00	$56,899.00	$57,299.00	$58,416.00	**$59,789.00**
Continuing Education v	$1,500.00	$1,750.00	$1,750.00	$1,750.00	**$1,850.00**

* Incremental compensation for every year of ordination up to 20 years

1.1.2 MINIMUM COMPENSATION FORMULA FOR PART-TIME CLERGY

	Minimum Cash Salary	Continuing Education	SSA (Social Security Allowance)	Housing/ Utilities Allowance*	Medical, Dental & Life Insurance**	Pension
3/4 time	75% of Full-time	100% of Full-time	Same formula as Full-time	75% of Full-time	85% - 100% of medical premium	Same formula as Full-time
1/2 time	50% of Full-time	100% of Full-time	Same formula as Full-time	50% of Full-time	50% of medical premium	Same formula as Full-time
Missional Priest in Charge (MPIC) and Conditional Priest in Charge (CPIC) (8-19 hours/week) vi	$15,975 – 30,350 (if retired, must be under the "work after retirement" earnings cap)	Negotiable Minimum of $250	Same formula as Full-time	Negotiable (Not Required)	Negotiable (Not Required)	Same formula as Full-time (Not applicable if clergy is retired)

*If parish provides housing, parish pays 100% utilities.
**Parish pays 100% dental & life insurance.

1.1.3 PAID TIME OFF FOR ALL CLERGY (VACATION, HOLIDAY, CONTINUING EDUCATION AND SABBATICAL)

	Vacation	Holiday	Sabbatical	Continuing Education
• Full –time	*	14 paid Holidays / Leave days	3 month paid sabbatical option after 5 years	5 days
• 3/4 time	*	14 paid Holidays / Leave days	Negotiable	5 days
• 1/2 time	*	7 paid Holidays / Leave days	Negotiable	5 days
• Missional Priest vi	*	N/A	N/A	Negotiable

*Five weeks, which may include up to 5 Sundays (at the discretion of the clergy). A week is as defined in the Letter of Agreement:

- Full-time — Five weeks,
- Three-Quarter Time — Five ¾ time weeks
- Half-Time—Five ½ time weeks
- Less Half-Time (CPIC/MPIC) —Five comparable weeks, as delineated in LOA

1.1.4 ADDITIONAL COMPENSATION COMPONENTS AND REQUIREMENTS

SOCIAL SECURITY ALLOWANCE (SSA): See factors for this calculation in Section 1.4 which approximate 60% of clergy members' self-employment (SE) liability.

HOUSING/UTILITIES: Parishes may provide church-owned housing and church paid utilities or they may provide a housing allowance in addition to the cash salary paid to clergy member. A housing allowance will be determined in conjunction with the Canon for Mission Leadership based upon housing costs in the parish community and the clergy's full-time equivalent status.

HOUSING EQUITY ALLOWANCE: Equal to 3.9% of the amount recorded as "compensation" by the church pension fund (for priests with over 5 years of service since ordination). This applies only if the rector is provided housing by the church. See Section 1.3 for more information.

MEDICAL, DENTAL AND LIFE INSURANCE: Health plan selection and specification of coverage (e.g., single person, two persons, family) is left to the sole discretion of the priest. The parish's minimum contribution rate to the medical insurance plan shall be set periodically by the Mission Council in accordance with the plan. Parishes must contribute at least 85% of the cost of medical insurance premium for clergy regularly scheduled to work 1,500 hours or more per year. At its September 20, 2015 meeting, the former Executive Council expanded on this policy by allowing parishes to provide different levels of premium support for different plans as a way of encouraging employees to move away from plans that might result in the imposition of "Cadillac plan" excise taxes in the future. Parishes that have not already done so are encouraged to phase-in employee premium contributions. Premiums for life insurance and dental coverage for full-time clergy must be paid 100% by the employer. Minimum medical for part-time clergy is based upon the part-time guidelines, and is negotiable.

PENSION FUND CONTRIBUTIONS: Calculated based upon "compensation" according to Church Pension Fund formula based upon type of housing provided. See Section 1.5 of this Treasurers' Newsletter for guidance on calculating this benefit.

PROFESSIONAL EXPENSES: Parishes should provide an annual professional expense allowance for reimbursement of documented expenses according to a Vestry-approved accountable plan. Expenses incurred in the course of professional activities on behalf of the parish include travel/car expense allowance at a rate consistent with IRS guidelines. Professional expenses include books, professional journals, conferences, meetings, professional meals and professional memberships. Travel in support of church business should be reimbursed at the IRS mileage rate, which is $0.545 per mile for 2018. Check the IRS website for 2019 mileage rates. For IRS tax purposes, it is recommended that parishes adopt this method of business travel and professional expense reimbursement and that the parish provides an adequate budget amount to accommodate documented expense reimbursement requests. A flat allowance to cover these business expenses is not recommended.

MERIT INCREASES: There is no recommended policy for merit increases. However, consideration for equity and merit adjustments is encouraged for added job responsibilities and a one-time annual bonus might be paid in recognition for work well done.

1.2 NOTES ON COMPENSATION

i In addition to the cash minimum salary above, compensation packages for clergy working half-time or more should include housing and utilities (i.e. church-owned housing or suitable housing allowance for clergy owned or rented housing).

ii This salary figure represents a 2.40% increase over the 2018 salary schedule. This increase is based on data provided by the Bureau of Labor Statistics through 8/15/2018.

iii Transitional Deacons/Priests first full year rate is for the first year following ordination to the Diaconate. Beyond that first year, the rate used should be under the category of full-time assistant or Priest-in-Charge as appropriate.

iv From date of Ordination to the Diaconate: Rather than prorating the increase for the exact date of ordination, it is recommended that the incremental step be paid as of January 1st for the entire calendar year after the year of ordination. The incremental step applies to all clergy except for Transitional Deacons and Priests in their first year of ordination. For example, if someone is ordained to the deaconate in 2018, the higher salary rate applies beginning January 1, 2019.

v The Continuing Education amount for 2019 is $1,850.00 for clergy working half-time or more for continuing education and for a contribution toward the expense of the annual clergy conference. It is not intended as cash compensation but as an offset to actual educational/conference expenses. A week of continuing education time away from the parish (not counting a Sunday) is an integral part of this allowance for full-time clergy.

vi The MPIC/CPIC serves less than half-time. The MPIC/CPIC presides and preaches at Sunday Eucharist and an additional day or two, the amount of time and day(s) to be negotiated between the Vestry and MPIC/CPIC, not less than 8 - 12 hours weekly, and not more than 19. This ministry then is contextual and will vary from one parish to the next (e.g., Sunday *plus* Wednesday afternoon and evening; or Sunday *plus* Tuesday morning and Wednesday all day, etc.).

1.3 HOUSING EQUITY ALLOWANCE

Clergy who have completed five full years of ministry following ordination (Diaconate) are eligible for a Housing Equity Allowance (HEA) under certain circumstances:

- Clergy who are provided housing by the church or employing agency are entitled to a Housing Equity Allowance (HEA) equal to 3.9% of their compensation as defined below and in the formulas in Section 1.4.2.
- Clergy who have not completed five years of ministry following ordination are not eligible for Housing Equity Allowance.

1.3.1 COMPENSATION AS DEFINED BY THE CHURCH PENSION FUND IS THE TOTAL AMOUNT OF THE FOLLOWING ITEMS:

CASH SALARY: The amount of money paid to your priest including bonuses and any part of the Self Employment (Social Security) Tax, which may be reimbursed (also known as the Social Security Allowance or SSA), but excluding any reimbursement allowances and other professional fees. (Note: If your priest has participated in a tax sheltered annuity/salary (403b/401k) deferment plan, for pension purposes, assessments are still based on the original, unreduced cash salary; and if your priest receives a Housing Equity Allowance (HEA) as defined in Section 1.1.4, said allowance should be included in the cash salary portion of the compensation when reporting to the Pension Fund.)

UTILITIES: An allowance paid by the parish to your priest for rectory, water, fuel, gas, electric, waste removal, internet and basic cable bills, and base rate for the telephone, or if the vestry pays the utility bills, an approximation of the annual amount based on the last 12 months of occupancy. (Note: Since utilities vary from year to year, you and your priest should review this part of compensation and keep the Church Pension Fund abreast of any changes.)

HOUSING: If your priest has living quarters provided rent-free by the parish, the value of housing for pension purposes, is calculated as 30% of the combined total of cash salary plus utilities plus social security allowance plus housing equity allowance (where applicable). If, however, a rental or housing allowance is provided, housing is figured as the actual amount of that allowance or 30% of the cash salary plus utilities plus social security allowance plus housing equity allowance (if applicable) combined, whichever is greater.

HOUSING EQUITY ALLOWANCE (HEA) will be taxable to the recipient unless he or she makes arrangements to defer taxes thereon by investing in a TSA/TDA (403b/401k) or other vehicle. Be careful of limitations on such investments under the tax law. The HEA will also be assessable for Church Pension Fund (CPF) purposes. It should be reported to the CPF as part of "Cash Salary" or as otherwise instructed on the New Assignment Notice, Report in Change in Compensation or Status form.

1.4 SOCIAL SECURITY AND HOUSING EQUITY ALLOWANCES FOR CLERGY

The projections for 2019 are based on the normal rate of 15.3% for self-employed clergy. Please note that the factors used to calculate the social security allowance figure do not cover the entire self-employment tax obligation of the clergy person. The tax is applicable to income up to $128,400 for 2018 and will be at least that figure for 2019. The maximum and any new rate structure will not be established until November. For budgeting purposes, we suggest that you assume the 15.3% rate will apply for income up to $132,000. We expect that the maximum SE tax liability for clergy (social security self-employment tax) for 2019 on the first $132,000 will be $20,196 (15.3% of $132,000).

As in 2018, income for 2019 above the estimated maximum of $132,000 on all lay employees and self-employment-taxed clergy will be at the rate of 2.9% for Medicare hospital insurance (for lay employees, half of this tax is paid by employees and half by employers). The minimum allowance for clergy compensation package amounts above the estimated $132,000 income level approximates 60% of the 2.9% tax or 1.74%. Any change in the Medicare rate for 2019 should be known in November.

Stated differently: 2019 Estimated SE and Medicare tax rate is 15.3% on the first $132,000 and 2.9% from the estimated Social Security maximum of $132,000 to "No Maximum."

1.4.1 FACTORS TO CALCULATE THE ESTIMATED 2019 SOCIAL SECURITY ALLOWANCE

Abbreviations used:					
Cash	=	Cash Salary	SE	=	Social Security Self Employment Tax
FICA	=	Federal Insurance Contributions Act	SSA	=	Social Security Allowance
HEA	=	Housing Equity Allowance	Utils	=	Utility Allowance or cost of utilities provided
Hsg	=	Housing			

(To be paid by parishes on the first $132,000 of total compensation):

For clergy who receive:	Factor
Church-provided Housing with no HEA	.1355 (Cash + Utils)
Pay Housing allowance	.1011 (Cash + Hsg + Utils)
Church- provided Housing and HEA	.1415 (Cash + Utils)

To determine the Medicare tax obligation for total compensation packages over $132,000, multiply the amount of compensation over $132,000 by 1.74% (again, 60% of 2.9% as described above) to compute the amount that should be added to the calculation from the factors above to determine the total Social Security Allowance.

1.4.2 CALCULATION OF THE ESTIMATED 2019 HOUSING EQUITY ALLOWANCE (HEA)

For parishes that provide housing, HEA = 0.039 x [Cash + SSA + Utils]

1.4.2.1 IMPORTANT NOTES

FACTORS USED IN CALCULATIONS: All the factors used in the calculations for church-owned housing are based on the value of the housing calculation of the Church Pension Fund (30% of cash salary, utilities, social security allowance and housing equity allowance). In some geographic areas of the state, the actual value of housing exceeds that 30% formula. Parishes are encouraged to provide an enhanced social security allowance in those locations. The standard allowance factors are a minimum requirement – there is no prohibition of an enhancement to the minimum allowances.

CALCULATIONS: All the calculations shown are based on 100% of net earnings. Self-employment tax liability (IRS form 1040 Schedule SE) is actually calculated on 92.35% of the net earnings. We've established the use of 100% of the net earnings in our minimum social security allowance calculations to accommodate for the IRS taxability of the social security allowance itself and to allow for the partial reimbursement of that additional IRS obligation as well as through the use of a 60% cost sharing as opposed to a secular/lay cost sharing of 50%. The 60% cost sharing is reflected in the factors above.

1.4.3 EMPLOYER/LAY EMPLOYEE FICA RATE FOR 2019 (ESTIMATED)

15.3% - (Lay Employee=7.65%, Employer=7.65%) on the first $132,000 (estimated cap for 2019) 2.9% - (Lay Employee=1.45%, Employer=1.45%) on the amount over $132,000 (no maximum)

Parishes must withhold for all lay (non-clergy) employees who earn over $200.00 weekly. Penalties for parishes who avoid such deductions are very heavy.

1.5 2019 CHURCH PENSION FUND FORMULA

The Church Pension Fund for Clergy requires by Canon that every church unit must pay a pension assessment on behalf of its clergy based on the compensation package. This applies to ordained clergy scheduled to be "regularly employed" for 5+ consecutive months and compensated for their service. See CPG.org for further details on eligibility. The formula for calculating the pension assessment follows:

1.5.1 CLERGY LIVING IN CHURCH-PROVIDED HOUSING

(Cash Salary + Utilities in the provided housing + Social Security Allowance + Housing Equity Allowance if paid) X 130% X 18% = Pension Assessment

Note: This formula has changed from 2017, reflecting a policy changes announced by the Church Pension Group that year.

1.5.2 CLERGY NOT LIVING IN CHURCH-PROVIDED HOUSING

[Salary + Housing and Utility Allowance + Social Security Allowance + Housing Equity Allowance (if paid)] X 18% = Pension Assessment

In completing the Pension Fund Assessment forms for the new year, report Housing Equity Allowance as instructed.

Important Notes: Church Pension contribution errors can only be corrected for the two prior years. If there have been errors in your contribution calculations, corrections should be made with the fourth quarter billing for 2018 or no later than the first quarter billing in 2019. Pension assessments that are in arrears severely curtail the benefits of the potential pension recipient. Please make sure that all payments are current.

All clergy receive a current report in July of each year. Please have them review the report for accuracy and correction if necessary. The Pension Fund office can assist in special cases where contributions can be made by clerics beyond the formulas set forth in order to catch-up on past gaps in compensation and/or to meet minimum standards for credited service. Call the Church Pension Fund office as listed below to pose those questions.

A helpful booklet that outlines the Church Pension Fund and its various benefits is available by request from the Church Pension Fund Office in New York (1-800-223-6602 toll free, ask for Client Services) or as a pdf file by clicking here: Clergy Pensions Overview.

1.6 CLERGY HOUSING AND FURNISHING ALLOWANCES

Housing, furnishing, and professional expense allowances **must be voted and duly recorded by the vestry prior to January 1, 2019** the beginning of the new tax year.

1.6.1 CLERGY WHO OWN THEIR HOMES

Clergy who own their own homes are allowed to exclude from income a housing allowance equal to the entire cash amount spent for housing, which does not exceed the annual fair rental value of the minister's home (furnished including utilities for clergy owned housing). Clergy should be cautious in planning their resolution exclusion for 2019 and should further check with their tax advisor before setting the amount of their allowance. (Note: Changes can be made in the housing allowance amount during the tax year but cannot be retroactive for expenses incurred prior to the change.) It is advisable to have a real estate professional set the fair rental value of the home as furnished plus utilities and issue a statement to that number for your records. Alternatively, parish staff or volunteers can develop an estimate based on the average rent per square foot for 3 – 5 comparable rental properties in the vicinity of the cleric's home and document the address, square footage and advertised rental prices of these comparable properties.

This exclusion is accomplished by the vestry voting a "clergy parsonage allowance" designating a portion (up to 100%) of cash salary. The parsonage allowance amount is at the total discretion of the clergy and does not impact the amount paid to the clergy person by the parish.

1.6.2 CLERGY WHO LIVE IN CHURCH-OWNED OR CHURCH-RENTED DWELLINGS

Clergy who live in church-owned or church-rented dwellings can exclude from income an amount equal to the actual cash spent on those items for housing and furnishings that are not otherwise reimbursed by the church. The allowance cannot exceed the fair rental value of the furnishings and operation of the home plus utilities if not provided by the church.

In all cases the burden of proof to the IRS is on the individual taxpayer and the request to adjust compensation to accommodate this tax code (Section 107) and the amount involved is the sole decision of the cleric. Vestries should honor the request and properly document their minutes as shown in the model resolutions below.

1.6.2.1 MODEL RESOLUTIONS FOR CLERGY PASONAGE ALLOWANCE

CLERIC LIVES IN HIS/HER OWN HOUSE: Resolution of the Vestry Meeting of 12/10/18: Whereas the Rev. Paxton Quigley is employed as a minister of the Gospel by St. Swithin's Episcopal Church, Metropolis, CT, which does not provide a residence for him, the vestry resolves that of the total compensation of $90,000 (Note: this figure should contain salary, housing and social security allowance) to be paid to the Rev. Quigley during 2019, that $36,000 be designated a parsonage allowance within the meaning of that term as used in Section 107 of the Internal Revenue Code (IRC) of 1986 as amended, but in any event until further notice the parsonage allowance shall be $3,000.00 per month.

CLERIC LIVES IN A RECTORY/VICARAGE PROVIDED BY THE CHURCH: Resolution of the Vestry Meeting of 12/10/18: Whereas the Rev. Abigail Quigley is employed as a minister of the Gospel by St. Swithin's Episcopal Church, Metropolis, CT, which although providing a residence for her does not provide the full cost of maintaining and furnishing such a residence, the vestry resolves that of the total compensation of $54,200 (Note: this figure should contain cash salary, social security allowance, and housing equity if applicable) to be paid to the Rev. Quigley during 2019, that $7,200 be designated a parsonage allowance within the meaning of that term as used in Section 107 of the IRC Code of 1986 as amended, but in any event until further notice the parsonage allowance shall be $600.00 per month.

Detailed records must be kept by the cleric to substantiate the allowances. Unused allowances are fully IRS taxable. The full allowance is taxable for self-employment (SE) taxes. Information on this matter and other tax issues is available from the Church Pension Fund.

1.6.3 PROFESSIONAL/TRAVEL EXPENSE ALLOWANCE

Based on a resolution passed by Convention, parishes should provide adequate monies in the budget to reimburse clergy for documented business travel. The IRS business travel reimbursement (currently **$.545 per mile)** should be the basis for this reimbursement. The rate for the upcoming year is normally announced in December, and parishes are urged to search for "mileage reimbursement rate" early in 2019 and use the updated rate for reimbursements in 2019. Clergy are encouraged to have their vestries adopt accountable plans for both of these expenses as directed by the cleric. Every parish should have a resolution concerning travel reimbursement in their permanent records.

1.7 VOCATIONAL DEACONS GUIDELINES

Vocational Deacons receive travel/expense allowance and continuing education. Contact Bishop Ahrens' office at 203-639-3501, ext. 109 with any questions.

1.7.1 EXPENSE REIMBURSEMENT

The deacon's service in the church is traditionally non-stipendiary. However, the church should reimburse all expenses associated with the deacon's ministry in the church. This reimbursement includes:

- Mileage (at the IRS- approved rate for 2019) relating to pastoral care and other church activities,
- Conferences, retreats, continuing education, excepting commuting from home,
- Books, program and presentation materials related to the ministry,
- Telephone, postage, and supply expenses related to their ministry,
- Continuing education fees and expenses at the rate in effect for clergy reimbursement, and
- Fees and expenses for our Annual Convention, ECCT conferences, and retreats.

1.7.2 PENSION ASSESSMENTS

When deacons are employed in stipendiary positions in the Episcopal Church or in qualified Episcopal Church agencies, assessments must be paid by the employing church/agency to the Church Pension Fund (CPF) in accordance with the CPF formulae and regulations for ordained clergy.

2 INSURANCE

2.1 GROUP LIFE MEDICAL AND DENTAL RATES AND COVERAGES FOR 2019

2.1.1 EMPLOYEE CONTRIBUTIONS TOWARD MEDICAL INSURANCE

The minimum parish contribution to the cost of medical insurance is 85% for all employees regularly scheduled to work 1,500 hours or more per year. Parishes that do not currently have employee contributions toward medical insurance and wish to do so must ensure that any policy is approved by the vestry and communicated to employees. All letters of agreement for clergy must reflect the employee contribution toward medical insurance, if any. Revisions to any clergy letters of agreement for changes in medical insurance should be processed through the office of the Canon for Mission Leadership. As noted in Section 1.1.4, the former Executive Council on 9/20/2015 voted to allow parishes the right to cover different percentages of the premium costs for different plans as a means of incenting employees to elect plans that will not trigger "Cadillac tax" provisions of the Affordable Healthcare Act.

2.1.2 IMPLEMENTATION OF PARITY PROVISION FOR LAY EMPLOYEES

The General Convention of the Episcopal Church voted to implement a Denominational Health Plan (DHP) that mandated parity in medical insurance coverage for clergy and lay employees regularly scheduled to work 1,500 hours or more per year for all Episcopal churches and related entities. **All parishes must now offer medical insurance coverage under the same terms and conditions for all clergy and lay employees that are eligible for this coverage.**

2.1.3 MEDICAL PLANS BEING OFFERED EFFECTIVE 1/1/2019

For 2019, ECCT employees can choose from four plan structures offered through the Denominational Health Plan: 1) PPO 100, 2) PPO 90, 3) PPO 80 and 4) Consumer Directed Health Plan ("CDHP")/HSA Plan. Each of these four plan structures can be selected through either CIGNA or Anthem, with no difference in plan terms (i.e. co-payments, deductibles, coinsurance, maximum out-of-pocket amounts, or annual health premiums). **Note:** Vestries should make a decision on whether or not the parish will make an employer contribution into an HSA for employees who select the CIGNA Consumer Directed Health Plan prior to the start of Open Enrollment in late October so that the employee can make an informed decision regarding their plan selections.

2.1.4 PREMIUM CHANGES

For budgeting purposes, the 2019 premiums are as noted below for the plans currently being offered. Please bear in mind that although there are differences in premiums for these three plans, the choice of medical plan is the employee's choice, not the parish's choice. Parishes may elect to pay for a different percentage of the premium for different plans above the 85% minimum payment level, and should make this election clear to employees before Open Enrollment. Please note that the medical insurance will be billed directly to the parish by Church Medical Trust (ECCEBT).

Dental and Life Insurance premiums (shown below) have been updated to reflect recent experience. These charges are payable on a monthly basis to the Episcopal Church in Connecticut. Please see Section 7.8 concerning invoicing and recurring payment for these premiums in 2019.

2.1.4.1 2019 PACKAGE ANNUAL PREMIUM

	2019 Medical Plan Choices				Dental Insurance	Life Insurance	Total Life, Medical & Dental			
	PPO 100	PPO 90	PPO 80	Consumer Directed/ HSA			PPO 100	PPO 90	PPO 80	Consumer Directed/ HSA
Family	$36,696	$32,856	$30,708	$25,032	$1,920	$360	$38,976	$35,136	$32,988	$27,312
Self + 1	$23,592	$21,120	$19,740	$16,092	$1,238	$360	$25,190	$22,718	$21,338	$17,690
Individual	$13,104	$11,736	$10,968	$8,940	$682	$360	$14,146	$12,778	$12,010	$9,982

IMPORTANT RULE: Access to the GLMD program is only on the 1st of each month. Pro-rated entry or departure is not possible. When writing Letters of Agreement for employment, plan for enrollment to begin on the 1st day of the month following the date of hire unless the person actually begins employment on the first day of the month. (This may require COBRA or Extension of Coverage benefits from a prior plan to ensure continuity of coverage).

Employers must submit completed forms to Matt Handi (203-639-3501, x107) prior to the employee's start date. Also, all requested changes to coverage must be in writing.

2019 OPEN ENROLLMENT: The open enrollment for active employees will be from 10/15 to 11/2. Current participants will be sent instructions regarding how to make their plan selections.

TAXATION OF DOMESTIC PARTNERS INSURANCE: A reminder that the fair market value of a domestic partner's insurance coverage is to be included in the employee's W-2 income that is subject to federal, state and FICA withholding and SE tax where applicable. Please refer to IRS Code 152 (a) (1) through (8).

TAXATION OF INSURANCE FOR SAME SEX COUPLES LEGALLY MARRIED UNDER STATE LAW: (does not include domestic partnerships or civil unions). In August 2013, the IRS released Revenue Ruling 2013-17 which provides guidance on how the IRS will treat same sex marriages based upon the Supreme Court's ruling on the Defense of Marriage Act. Essentially this means that federal tax marital status is based upon the laws of the state where the marriage was celebrated and not the state in which the couple resides. Click here for further information relating to this ruling: Answers to Frequently Asked Questions for Same Sex Married Couples. For further questions, contact Matt Handi at the Episcopal Church in Connecticut (at 203-639-3501, ext. 107).

SECTION 105, 106, OR SECTION 125 MEDICAL EXPENSE REIMBURSEMENT PLANS:

SECTION 105: It is possible under current Tax Code to set up an accountable-type plan from which non-reimbursed medical expenses, i.e. those not reimbursed by the employee's insurance plan, can be reimbursed from an amount set aside by the employer at the beginning of the tax year for all employees in the same class (e.g. all full-time employees or all who work over a certain number of hours, etc.).

SECTION 106: pertains to medical premium reimbursements only. Original documented expenses are submitted for payment during the year, and are paid to the extent of the amount set aside in the plan.

SECTION 125: Likewise a Section 125 Plan can be established as a salary reduction plan to accommodate out-of-pocket medical expenses as well as dependent care expenses. Parishes with employees who have at least part of their healthcare insurance benefits paid through payroll deduction need to be aware of new legislation recently enacted in the State of Connecticut. Employers must provide employees with the ability to exclude from their gross income, for state or federal income taxes, the amount of healthcare insurance benefits which are payroll deducted.

It is possible for employees to establish a Section 125 Flexible Spending Account (FSA) plan which allows them to reduce their taxable income on the W-2 for qualified medical and dependent care costs. With an FSA account, employees can receive reimbursement for certain medical costs not covered by the medical insurance plans (i.e. deductibles, coinsurance and copayments) on a pre-tax basis. These plans must be used with care as the balance in the account at the end of the year is forfeited to the employer. Since explicit records are mandated, it is required that the program be administered by a third party (payroll company, CPA or insurance company). The Episcopal Church in Connecticut has identified a third party administrator which can administer this type of plan on a parish by parish basis at a reduced rate. Contact Matt Handi (203-639-3501, Ext. 107) for further information.

Employees who select a High Deductible Health Plan ("HDHP") such as CIGNA's Consumer Directed Health Plan are entitled to open a Health Savings Account ("HSA") – a tax-advantaged account that can be used to cover qualified out-of-pocket medical expenses. HSA holders can also elect to allow funds grow in their accounts over time to be a financing source for future healthcare expenses. Unlike FSAs, HSA balances roll over from one year to the next with no loss of principal. In addition, HSA balances belong to the employee and are "portable" if the employee changes employers. More information on High Deductible Health Plans and Health Savings Accounts can be found here: Facts about HSAs and HDHPs. Further details on FSAs and HSAs are available by contacting Matt Handi at the Episcopal Church in Connecticut (at 203-639-3501, ext. 107).

2.2 ESTIMATED PROPERTY AND LIABILITY INSURANCE RATES FOR 2019

Parishes should be aware that earlier this year ECCT's Insurance Board has recommended that ECCT should shift its Property and Casualty brokerage relationship from Willis Towers Watson to Beecher Carlson, and that transition has begun. Insurance coverage established at the beginning of 2018 continues to be in force.

For 2019, we suggest that parishes budget a 5% increase in Property and Casualty premiums. These premiums actually support sixteen different coverages. Final underwriting analysis for the 2019 renewal will not be completed until late December 2018.

2.2.1 AUDITS

The canons of ECCT and The Episcopal Church both require timely submission of audits or financial reviews. There are a number of reasons for having parish financial reports and practices reviewed annually by a qualified public accountant. At the very least, the practice promotes confidence in parish financial management, but these reviews can also identify areas where improved practices can reduce risk of loss or eliminate reporting errors. Sadly, dozens of parishes have experienced ongoing embezzlement by staff or volunteers that could have been identified more quickly had the parish conducted audits regularly and employed appropriate financial management practices (particularly regular oversight and appropriate separation of responsibilities).

Please note that instructions regarding the audit procedures to be implemented for the year 2017 audits, which were due on September 1, 2018, are available on the website of the Episcopal Church in Connecticut at https://www.episcopalct.org/FileRepository.

2.2.2 RENTER'S INSURANCE

Clergy who live in church-owned housing must purchase Tenant's Homeowners Coverage (Renter's Insurance) to cover their personal property and personal liability. This is not provided nor has it ever been provided by current or past insurance programs of the Episcopal Church in Connecticut (except for clergy's work-related personal effects (i.e., robes, communion kits, lectionaries, prayer books, etc.).

2.2.3 PASSENGER VANS

The federal government has admonished users of institutions including churches of the very serious safety issues regarding the use of 14-15 passenger (truck-type) vans. Some of our parishes use these for transporting young persons to youth events and for bringing older persons to church functions. It should be noted that these vehicles are designed to carry cargo but are cosmetically re-designed to carry people. "Rollover" rates are 3 times greater with 10 or more occupants and 7 times greater with more than 15 occupants and even greater when cargo/luggage is added to the occupant mix. The National Highway Traffic Safety Administration (NHTSA) has a pamphlet signaling the inherent risks in using these vans. The brochure is available online at https://www.nhtsa.gov/road-safety/passenger-vans and should be reviewed by all entities that use these vehicles. These vans are simply not safe modes of transportation for anyone young or old. It is our advice to replace these vans as soon as possible with 7 passenger mini-vans as an alternative mode of mass transit if such transportation is deemed necessary for your location. Short-term rentals of mini-vans for specific events are often the most economical solution.

2.2.4 BUILDERS RISK INSURANCE QUESTIONNAIRE

Parishes are advised to obtain Builders Risk Insurance prior to initiating a building addition or renovation project. Please contact Joe Roberta, Managing Director at Beecher Carlson responsible for managing our relationship, at 646-596-8517 to add this coverage.

2.2.5 IN-TRANSIT COVERAGE

If your parish has the need to ship artwork for restoration or its pipe organ for refurbishment, be advised that ECCT parishes have "in-transit" coverage to protect against damage to parish property being shipped to other locations, for amounts up to $500,000. To obtain in-transit coverage above the sub-limit of $500,000, please contact Joe Roberta, Managing Director at Beecher Carlson, at 646-596-8517 to obtain additional coverage.

2.2.6 FIRE PROTECTION ALARM/PROTECTION SYSTEM SUBSIDY

We strongly encourage parishes to equip all buildings with central station, early fire detection systems. ECCT offers parishes a financial incentive plan (one-half of the total system cost up to a maximum grant of $3,000) to assist parishes with the installation costs of this equipment plus other related protection devices. Please make this matter a priority at your parish and take advantage of the support!

2.2.7 RENEWAL QUESTIONNAIRE

Given the transition of our insurance brokerage relationship from Willis Towers Watson to Beecher Carlson, our annual all-parish renewal questionnaire has been replaced with a sampling questionnaire intended to provide an estimate of changes from last year's findings. This sampling questionnaire has been mailed under separate cover. If your parish has been selected as part of this process, you will receive this questionnaire in late September or early October. Please complete it and return it as soon as possible to Beecher Carlson, as indicated. As parish programs change, risks change and this form is the only way we have of obtaining this information from the parishes.

2.2.8 CHURCH BUILDING USE (CERTIFICATE OF INSURANCE)

Users (tenants) of church buildings who are not parish-sponsored must provide certificates of liability insurance (of at least $1 million per claim, $2 million of aggregate coverage) indemnifying the church/bishop and the Episcopal Church in Connecticut for the building use. This is extremely important, especially where there are nursery and day care tenants. Exceptions to this mandate are Boy Scout and Girl Scout troops, which are covered under a blanket policy which covers all locations, and Twelve Step Programs (AA, NA, etc.), which are extensions of the rector/vicar's ministry. Call Lynda Volpe, Client Services Administrator at Beecher Carlson at 646-358-8543 if you have questions.

2.2.9 CERTIFICATES OF INSURANCE

Requests for Certificates of Insurance for parish events, protection of leased equipment, etc. can also be obtained from Beecher Carlson by calling Lynda Volpe, Client Services Administrator, at 646-358-8543.

2.3 LONG AND SHORT TERM DISABILITY INSURANCE

The Church Pension Group has provisions in the clergy pension plan for both short and long term disability benefits. A long-term benefit requires that a priest must resign his or her job before receiving benefits that are calculated on a modification of their retirement benefits. The short- term disability benefit plan provides for up to one year of benefits at 70% of the current compensation package. This benefit allows the priest to stay employed at the parish without undue fiscal impact to either cleric or parish. Details are available through the Church Pension Group.

Short and long term disability insurance policies for lay employees are also available through the Church Pension Group. You can contact them at 1-800-223-6602 or read an overview of CPG's disability coverage here: Administrator's Guide to Disability Insurance.

2.4 EPISCOPAL INVESTMENT FUNDS

Donations and Bequests for Church Purposes, Inc. ("D&B") was established in 1863 to assist parishes in managing their investment assets. Over 110 ECCT parishes have investments managed by D&B, and all of ECCT's centrally managed investments are also managed by D&B. With combined investment assets in excess of $125 million, D&B provides ECCT parishes with access to professional investment advisory services at very competitive fees. In addition, D&B's Trustees bear he fiduciary responsibility for overseeing risk, investment performance and cost-effectiveness of advisory fees, which many ECCT parishes find challenging.

In 2014, D&B Trustees selected U.S. Trust, a subsidiary of Bank of America, to act as investment manager, shareholder service provider and disbursement agent for investments of the Episcopal Church in Connecticut, participating parishes and affiliated organizations.

All requests for withdrawals or distribution changes should be made to Theresa Dupont, Secretary of Donations and Bequests. Requests must be received by the 25th of the month, must be accompanied by a resolution of the vestry and two authorized signatures, and be submitted on forms discussed below. Please note: Deposits must be larger than $500.00 to be processed. Additions below $500.00 will be returned.

2.4.1 ADDITIONS, CHANGES AND WITHDRAWALS

Transaction instructions for additions, changes, and withdrawals must be made in writing. The form designed for this process can be accessed at the website referenced below. The completed form should be sent to the attention of Theresa Dupont by email (tdupont@episcopalct.org), fax (203-235-1008) or mailed to The Commons, 290 Pratt Street, Box 52, Meriden, CT 06450. Please use the most current form found on the web site at https://www.episcopalct.org/FileRepository ("D&B Request Form" under the "Donations and Bequests" section of the File Repository). If you have additional questions, please contact Theresa Dupont at The Episcopal Church in Connecticut (203-639-3501, ext. 125).

2.4.2 ENDOWMENT INVESTMENT MANAGEMENT PRACTICES

The Canons of ECCT and The Episcopal Church both specify that unless they have received written permission to do otherwise, parishes must invest endowments in a chartered state or Federal bank or in a "Diocesan Corporation" such as D&B. ECCT parishes need to comply with this requirement to safeguard endowment assets and assure proper oversight. ECCT will permit parishes to maintain control over investment management policy and administration if they can document and demonstrate:

- Active on-going investment management oversight by qualified Vestry or Finance Committee members;
- Consistent compliance with sensible, formally documented investment management policies;
- Maintenance of effective safeguards against conflicts of interest;
- Utilization of investment management service of well-established, well-capitalized publicly traded or regularly audited investment management firms.

Background on the canonical requirements concerning parish management of investment assets, and a form requesting approval from ECCT's Finance Committee for a parish to manage its investment assets can be found at https://www.episcopalct.org/investment-management. Parishes unable to manage adequate oversight of investment funds will be asked to comply promptly with ECCT's Canon IV. 2 A) and The Episcopal Church's Canon 1.7.1(b) in managing their investments.

Note that ECCT Canon I.11.B) limits parishes' cumulative endowment draws in support of operations to less than 25% over a consecutive three year period. Parishes exceeding this limit may lose the right to oversee investments independently and be limited to sustainable draws in support of operations.

3 LAY PENSIONS

3.1 LAY EMPLOYEE PENSION MANDATE

The Resolution passed by the 1991 General Convention mandates that all lay employees who work at least 1,000 hours (20 hours per week) annually will be participants in an employer provided defined benefit or defined contribution pension plan. Parishes are obligated to contribute no less than 5% of the employee's compensation to a defined contribution plan and match employee's voluntary supplemental contributions to this plan by no less than 4%. Parishes may elect to contribute in this fashion for employees who work less than 1,000 hours annually, but are not obligated to do so.

Information on the plans available through the Church Pension Group and administered by Fidelity can be obtained by calling the Lay Pension division in New York at 1-800-223-6602 or going to their website at https://www.cpg.org/active-lay-employees or the Fidelity Management instructions sent with your periodic statements. **If your lay employees are eligible, you must enroll them.** An additional resolution voted at the 2009 General Convention mandated that all lay pension plans must be placed with the Church Pension Fund. **Note:** As of 1/1/2018, schools will be required to comply with employer contribution obligations and match rates for defined contribution plans according to a specific year by year phase in schedule per the 2012 General Convention Resolution C042. The resolution defines schools as serving children of any age, thereby including pre-school, nursery and day care centers. More details on this resolution can be found at https://www.cpg.org/active-lay-employees/retirement/pensions/lay-employee-pension-system/resolutions/

4 CHURCH RECORDS

4.1 AUDITS OF 2017 RECORDS

All clergy are obligated to "safeguard the property and funds of the Church and the Community" in Title IV, Canon 4.1(e) of The Episcopal Church's Canons. Similarly, Wardens, Treasurers and Vestry members are called upon to be conscientious stewards of church assets. Having annual independent reviews of church records and business practices is an essential part of this safeguarding and stewarding responsibility that is a canonical requirement.[1]

Unfortunately, the vast majority of ECCT parishes are not fulfilling their obligations in this area. 2017 audits were due in the Bishop's office by September 1, 2018, but less than 40% of parishes met this milestone. Furthermore, less than 80% of ECCT parishes have submitted 2016 audits as of this writing. It is in the interest of parishes and of clergy and parish leaders to take this obligation much more seriously than has been the case. Parishes benefit by tightening up safeguards and improving financial management processes, and clergy and parish leaders manage their own personal obligations by ensuring that independent financial reviews have been performed annually. Note that beginning in 2017, submission of audits/financial reviews is a criterion for a parish to be recognized as being in good standing.

The 2017 Audit reports must follow the instructions available on the website of the Episcopal Church in Connecticut at: https://www.episcopalct.org/FileRepository (under the "Administration, Operations, Finance" section of the Forms Repository, see "Parish Financial Reporting Requirements Manual"). This section of the File Repository also contains other useful resources for managing your audit including a sample auditor engagement letter, an internal control questionnaire, a parish financial report format (with definitions and instructions) and a draft management letter from the auditor.

FINANCIAL BEST PRACTICES Audits are particularly valuable to parishes in that they identify areas of risk or areas in which parishes are not following best practices. In recent years, auditors have identified improvement opportunities for parishes in the following areas:

- Failure to have a second person to verify bank-to-book reconciliations
- Lack of polices concerning a second signer for checks in excess of a specified amount
- Failure to comply with second signer policies where such policies are in place
- Improper procedures for counting and handling cash contributions
- Inadequate records and tracking procedures for use of restricted funds
- Inadequate tracking and reporting of non-operating revenue and expense
- Inadequate tracking and auditing of clergy discretionary funds
- Inadequate/incorrect reporting of investment income and gains and losses
- Information management (security of sensitive information, off-site storage of back-up data)
- Management of lay employee pension withholding and payments
- Inadequate tracking of fixed assets
- Inadequate process for filing Forms 1099 for independent contractors

[1] Parishes with total revenues exceeding $750,000 are required to have audits performed by a certified public accountant. Parishes with total revenues less than $750,000 can have a financial review performed by an independent public accountant.

4.2 PAROCHIAL REPORTS

Parishes should submit Parochial Reports to The Episcopal Church (815 Second Avenue, New York, NY 10017) and to the Episcopal Church in Connecticut (290 Pratt Street, Box 52, Meriden, CT 06450, Attention Karolyn Nicolaides) by March 1st, documenting membership, attendance, services, stewardship and financial information. Further information is available at: http://www.episcopalchurch.org/page/parochial-report. Note that Parochial Reports can be filed with the national church electronically at http://pr.dfms.org, but a signed copy should still be mailed to the Episcopal Church in Connecticut.

5 SUPPLY CLERGY

5.1 CLERGY SUPPLY AND CONSULTANT RATES FOR 2019

The following rates apply for 2019:

Supply Clergy	One Service	$200.00
	Two Services	$250.00
	One 8 Hour Day	$350.00
ECCT Consultants	Per Unit (3hr time span)	$200.00

In addition to the above rates, supply clergy and consultants are reimbursed for travel. The reimbursement rate for 2018 is $0.545 per mile, consistent with the IRS business travel reimbursement rate, (as presented here: Standard Mileage Rates for Business) which is usually updated for the year to come in December. Mileage reimbursements for 2019 should conform to possible changes in the IRS mileage rate throughout the year as reported on the IRS website.

6 TAX AND OTHER IRS INFORMATION

6.1 CHARITABLE CONTRIBUTION SUBSTANTIATION

6.1.1 CASH, CHECKS OR OTHER MONETARY GIFTS UNDER $250

Cash, checks or other monetary gifts under $250 are tax deductible only if substantiated by 1) a bank record such as a cancelled check or transaction shown on a credit card statement showing the name of the donor and the date and amount of the contribution; or 2) a written communication from the charitable organization (parish) showing the name of the donor and the date and amount of the contribution. For payroll deductions, the taxpayer should retain a pay stub, and a W-2 wage statement form.

6.1.2 GIFTS OVER $250

Gifts over $250 are tax deductible only if substantiated by a written communication from the charitable organization (parish) showing the name of the donor, date and amount of the contribution. The charity (parish) must inform the donor how to reduce his or her deduction if quid pro quo goods or services have been received. Computer generated or other printed pledge statements should contain proper language to protect the taxpayer/parishioner. For example: A parish dinner is held to raise money for a specific purpose; the donation for the dinner is $50.00; the cost for the dinner is $15.00; a statement/receipt must be given to the donor stating that the donation for tax purposes should be reduced by $15.00 representing the value of the goods/services (meal) received. For standard pledge statements and other appropriate receipts, the following statement can be used as an example: "This receipt is the contemporaneous acknowledgment required by the Internal Revenue Code. Further and in accordance with Section 170(F)(B), no goods or services were provided other than intangible religious benefits." The IRS is very firm on compliance with this code when auditing taxpayers. Making the acknowledgement a routine for any donations received by the parish will help accommodate and encourage good donor relationships.

6.1.3 IRS POLITICAL ACTIVITY

The IRS released IR-2007-87, an information letter warning charities not to become "involved in political campaign activities" during upcoming elections. As a result of an "upturn in politicking" by charities in 2004, the IRS launched the "Political Activity Compliance Initiative (PACI)" to investigate claims that charities were involved in wrongdoing.

Generally, charities "may not endorse candidates, distribute statements for or against candidates, raise funds for or donate to candidates or become involved in any activity that would be either supportive or opposed to any candidate."

For further information, please open the link below:

The Restriction of Political Campaign Intervention by Tax Exempt Organizations

6.1.4 UNRELATED BUSINESS INCOME TAX

The State of Connecticut and the Internal Revenue Service are carefully scrutinizing tax-exempt organizations such as churches for sources of taxable income. Unrelated trade or business is defined in the case of tax-exempt organizations as any trade or business, the conduct of which is not substantially related to the exercise or performance by an organization of its charitable, educational or other purpose (religious in the case of the parish exemption) constituting the basis for its exemption under 26 U.S.C. #501.

If you have any questions about how an activity of your parish might be treated, check with your auditor or the State or IRS Tax offices. A booklet outlining such tax liabilities (Tax Guide for Churches and Religious Organizations - IRS Publication 1828 (6-08) is available from the IRS website at https://www.irs.gov/pub/irs-pdf/p1828.pdf.

6.1.5 SALES TAX EXEMPTION – STATE OF CT

The State of Connecticut Sales Tax exemption certificate #119 (CERT 119) must be used for any tax exempt purchases made by parishes. The vendor will also require either a corporate check or credit card. Personal checks or cash over $10.00 should not be accepted for exempt sales. Please click here to access CERT 119.

7 OTHER MANAGEMENT OPERATIONS

7.1 PARISH CONTRIBUTIONS IN SUPPORT OF OUR COMMON WORK IN GOD'S MISSION

Our Annual Convention in October of 2014 approved a Resolution establishing a required annual contribution level to the Episcopal Church in Connecticut from all parishes in support of our common work in God's mission or "Common Mission Support." The Resolution specified that this contribution should be a minimum of 10% of operating revenues (line B of the parish Parochial Report) from the trailing year (e.g., 2019 contributions should be at least 10% of the 2017 Line B revenues).

The Executive Council has asked that contributions to the support of our common work in God's mission should be made in equal monthly payments sent to The Commons at 290 Pratt Street, Box 52, Meriden, CT 06450. Please make payments before the 15th of each month. See also Section 7.8, for information concerning invoicing and recurring payment for these contributions.

7.2 TREASURERS' WORKSHOP

A Treasurers' Workshop for new and returning treasurers will be incorporated with the April 27, 2019 "Spring Training Day." Information will be announced in eNews and on www.episcopalct.org as information becomes available.

7.3 EMPLOYEES AND RELIGION

Except in cases of spiritual hiring, employers must respect and allow employees to express their religious views (even though they might not be those of the employer) in the workplace. There are several rules and practical guidelines which apply to religious tolerance in the workplace (see for example https://www.eeoc.gov/eeoc/messages/accommodations_for_religious.cfm) but common sense should prevail if this issue arises in your setting.

7.4 PAYROLL

To obtain information about the EPISCOPAL PAYROLL SERVICES program, you may contact:

Patricia Tucker

The Episcopal Payroll Services
Phone: 1-800-223-6602 X6286

Website: www.cpg.org/eps
Email: ptucker@cpg.org

You are encouraged to use either the Paychex or ADP service or one of many similar payroll processing vendors. Please make sure, however, that the payroll service you choose understands the intricacies and complexities of clergy compensation packages (e.g. payroll service providers should withhold state and federal income tax, but not FICA, for members of the clergy).

7.4.1 ELECTRONIC TAX DEPOSITS - FEDERAL

Federal tax deposit must be made by electronic funds transfer. For 2018 tax reporting information see "Publication 15 – Circular E, Employer's Tax Guide" on the IRS website. Section 11 is titled "Depositing Taxes", and on page 28 are instructions on "How to Deposit" and the "Electronic Deposit Requirement".

7.4.2 ELECTRONIC TAX DEPOSITS (EFT) - STATE

Each year, the Connecticut Department of Revenue Services (DRS) reviews each employer's Connecticut withholding tax liability. DRS notifies employers who meet the electronic funds transfer (EFT) threshold of their requirement to pay withholding tax by EFT. Employers must continue to pay by EFT until DRS notifies them that they are no longer required to do so. Employers whose annual wage withholding tax liability exceeds $2,000 for the 12 month period ending on the June 30 immediately preceding the quarterly period for which the requirement to pay by EFT is established, and who are notified by DRS to pay Connecticut withholding tax by EFT, must pay that tax by EFT. Go to www.ct.gov/drs for more information and to obtain a copy of "Circular CT- Employer's Tax Guide to Withholding". Information about electronic filing of forms and withholding for employees in civil unions can also be found in this circular.

Connecticut Department of Labor (DL) also offers electronic filing and payment options for unemployment tax. Electronic filing of DL returns is required if an employer has 250 or more employees in Connecticut. New hire reporting can also be done electronically. For more information you can refer to An Employer's Guide to Unemployment Compensation. Pages 8 to 9 of this guide provide guidance for religious organizations who choose not to participate in providing unemployment compensation to their employees. However, employers who are not liable to pay unemployment insurance taxes must notify their employees (page 10 of the guide). Any employer that is not liable under the law to pay unemployment insurance taxes and has not accepted voluntary liability must notify, in writing, anyone it employs that it is not subject to the provisions of this chapter. It is recommended that if this choice is made that it is clearly stated in the offer of employment and is acknowledged by the employee's signature on the document.

7.5 MANUAL OF BUSINESS METHODS IN CHURCH AFFAIRS

Please click here to access a copy of the Manual of Business Methods. It is recommended to each treasurer/parish as a very useful reference on a wide variety of financial and management issues.

7.6 PARISH BROKERAGE ACCOUNT FOR STOCK TRANSATIONS

The Episcopal Church in Connecticut is only accepting stock donations as contributions in support of our common work in God's mission, for Camp Washington, for the Bishops Fund for Children and as contributions to holdings in D&B. We advise parishes to open their own brokerage account if needed to transact stock transfers from donors and convert them to cash for parish disposition as we discontinued processing of parish stock donation transfers in September 30, 2008. Vestry approval should be obtained to authorize the establishment of such an account and to designate those individuals with authority to make transactions for the account. This is a useful way to encourage pledge payments for the annual pledge appeal, for capital fund payments and for planned gifts.

7.7 ELECTRONIC INFORMATION AND FORMS

Save time submitting forms for a variety of administrative requests and required submissions by first searching online in the Resources -> File Repository of our website at http://www.episcopalct.org/FileRepository. Many documents can be found there, including this Treasurers' Newsletter. Other forms and publications will be added to this repository over time.

7.8 INVOICING AND RECURRING BILL PAYMENT SERVICE

The invoices we send to most parishes do not generally change from month to month. As a result, parishes that pay vendors via their banks' online bill payment service could set up a monthly recurring payment for the year with the amount of their January invoice and never have to make alterations in their payment instructions until the following year unless there are changes in parish staff or in benefit elections. We encourage parishes to establish the Episcopal Church in Connecticut as a payee on their bank's bill payment service with recurring monthly payment instructions as a time-saving arrangement for parishes and for us. Please enter your three digit parish number (which appears after your church name in the address line and in the "Customer ID" field in the body of your invoice) as your account number when setting up the Episcopal Church in Connecticut as a payee on your bank's bill payment service.

Insurance coverage for parish staff members changes periodically (due to marriage, birth or adoption of a first child, termination of employment, etc.), triggering a change in the parish's monthly payment obligation once we are informed of employment and life event changes. We will respond promptly to your communication of changes in insurance coverage with a revised payment invoice. Please note: until the Church Medical Trust and we are informed about employment terminations, previous coverage will remain in effect as will the parish's obligation to pay for this coverage.

7.9 REVOLVING LOAN FUND MANAGEMENT PRACTICES

Beginning in January, 2016, parishes participating in ECCT's Revolving Loan program began incurring additional interest on late payments, consistent with their loan agreements. Parishes with outstanding loan balances should reflect this change in practice in their budgets and cash planning for 2019.

7.10 LIVING WAGE GUIDANCE

The ECCT's 2014 Annual Convention approved [Resolution 7: Economic Justice and Income Inequality](). This resolution states in part that "…all congregations and institutions within our Diocese are urged to pay all lay employees a livable wage." In addition, at the Episcopal Church's 78th General Convention in earlier this summer approved [Resolution C048: Increase the Minimum Wage](). This resolutions states in part that "The Episcopal Church, at all levels, engage in and advocate for increasing the minimum wage to $15.00 an hour or a living wage…" Both resolutions cite increasing income inequality as a moral issue, and that Christians should work to redress the hardships resulting from increasing income and wealth inequality. Parishes that aspire to live into the spirit of these resolutions should consider the following guidance:

- The Massachusetts Institute of Technology maintains a Living Wage Calculator (http://livingwage.mit.edu/) that reflects differences in cost of living for Connecticut counties. The living wage amounts presented by this calculator are estimates of hourly income necessary for individuals and families to be financially self-sufficient (and thereby not need any outside assistance). Parishes can use this resource to determine livable hourly compensation standards in the communities they serve.
- Compensation for lay employees includes salary plus life, health and dental insurance benefits provided to qualifying employees. The employer-paid life, health and dental insurance benefits, expressed as dollars and cents per hour worked by the employee, can assist parishes in determining a livable hourly wage rate in conjunction with the Living Wage Calculator data.
- Any retirement benefits that the employer pays on behalf of employees should *not* be taken into consideration in determining a living wage for employees.
- The Living Wage Calculator presents livable wages for 12 different family circumstances. This information should not be justification for paying different compensation to employees performing comparable work simply because they have different family circumstances. We suggest that parishes use a common family circumstance (e.g., "1 Adult", "2 Adults (Both Working), 2 Children", "1 Adult, 1 Child") that might best reflect the family circumstances of their current employees in establishing its Living Wage standard.

Salary negotiations in a faith-based context should be a collaborative process between employees/prospective hires and the parish. The Parish and the employee/prospective hire should work together to find a workable compensation arrangement.

IF YOU HAVE ANY QUESTIONS ABOUT THIS NEWSLETTER OR OTHER MATTERS, PLEASE CONTACT LOUIS FUERTES, THE CANON FOR MISSION FINANCE & OPERATIONS AT THE EPISCOPAL CHURCH IN CONNECTICUT, BY PHONE AT 203-639-3501, EXT. 123, OR BY EMAIL AT LFUERTES@EPISCOPALCT.ORG.

APPENDIX A

SAMPLE COMPENSATION PACKAGE COMPUTATIONS FOR 2019

Abbreviations used:

Cash = Cash Salary	SSA = Social Security Allowance	Hsg = Housing/Utility Allowance
Utils = Utilities Allowance or cost of utilities provided	HEA = Housing Equity Allowance	
Pens = Church Pension Fund Assessment	Factor=Calculation Factor from Section 1.4.1	

SAMPLE #1: PRIEST IN CHARGE LIVING IN CHURCH-OWNED HOUSING (RECTORY, VICARAGE, ETC.)

ASSUMPTION: For the sample – A priest with 18 years of service since ordination to the Diaconate. Utilities in rectory = $4,200 annually.

Salary (See Section 1.1)
Salary = $44,149 + $14,076 (=18 years X $782) = $58,225
Base + Annual increment = Cash

Social Security Allowance (See Section 1.4)
($58,255 + $4,200) X 0.1415 = $8,833
(Cash + Utils) X Factor = SSA

Housing Equity Allowance (See Section 1.3)
($58,255+ $4,200 + $8,833) X 0.0390 = $2,779
(Cash + Utils + SSA) X Factor = HEA

Church Pension Fund (See Section 1.5)
($58,255 + $4,200 + $8,833 + $2,779) X 130% X 18% = $17,325
(Cash + Utils + SSA + HEA) X 130% X 18% = Pens

Variations: If priest is ordained less than five years and does not receive a Housing Equity Allowance, drop the HEA calculation from the package and use the factor .1355 to calculate the Social Security Allowance.

SAMPLE #2: PRIEST OWNS HIS/HER HOME AND IS PAID A HOUSING/UTILITY ALLOWANCE BY THE PARISH TO SUPPORT THAT HOUSING.

ASSUMPTION: For the sample – A priest with 20 years of service since ordination to the Diaconate. Housing/Utility Allowance paid to priest is $35,000 annually.

Salary (See Section 1.1)
$59,818 (Top of Minimum)
Base for 20 years = Cash

Social Security Allowance (See Section 1.4)
($59,818+ 35,000) X .1011 = $9,586
(Cash + Hsg) X Factor = SSA

Church Pension Fund (See Section 1.5)
($59,818+ $35,000 + $9,586) X 18% = $18,793
(Cash + Hsg + SSA) X 18% = Pens

APPENDIX B

LOA SAMPLE COST COMPARISON 2019 – CLERGY NOT LIVING IN HOUSING PROVIDED BY THE PARISH

The total package figure does not include GLMD insurance costs which vary according to the coverage needed (1 person, 2-person, family) and the rate at which the premium is paid (85%-100%). Insurance will add a significant amount to the total package cost.

	Full Time	Assistant - FT	3/4 Time	Half Time	Missional Priest
RECTOR	40-50 hours per week	40-50 hours p/w	30-38 hours per week	20-25 hours per week	8-20 hours per week as negotiated per the LOA
Minimum Base Salary	$44,149	$38,979	$33,112	$22,075	$15,975-$30,350
Housing (Current market rental value, includes utilities)	$20,000-$30,000	$20,000-$30,000	$15,000-22,500	$10,000-$15,000	May be Negotiated
SSA	$6,485- $7,496 1	$5,963-$6,974 1	$4,864-5,622 1	$3,243-$3,748 1	$1,615-$3,068
Pension	$12,714-$14,896 1	$11,690-$13,671 1	$9,536-$11,022 1	$6,357-$7,3481	$3,166-$6,015 if not retired
Continuing Education	$1,850	$1,850	$1,850	$1,850	Negotiable ($250 Minimum)
Professional Expenses	Negotiable. Approx. $3,000-$5,000	Negotiable. Approx. $1,000-$3,000	Negotiable. Approx. $1,500-$3,000	Negotiable. Approx. $1,000-$1,5000	Negotiable. Approx. $200-$600
Vacation	Five Weeks (Includes 5 Sundays)	Five Weeks (Includes 5 Sundays)	Five 3/4 Time Weeks (Includes 5 Sundays)	Five 1/2 Time Weeks (Includes 5 Sundays)	Five MP weeks delineated in the LOA (Includes 5 Sundays)
Total Minimum Package (Not in Church Housing)	$88,199-$103,192 2 + 85% Medical, 100% Life & Dental Ins.	$79,481-$94,474 2 + 85% Medical, 100% Life & Dental Ins.	$65,753-$77,106 2 + 85% Medical, 100% Life & Dental Ins.	$44,524-$51,521 2 + 50% Medical, 100% Life & Dental Ins.	Approx. $21,206-$40,284 (Benefits are negotiable)

These calculations are based on the bare minimum for a Rector not living in church housing. They are only to show approximate costs as a starting point when negotiating a Letter of Agreement (LOA). Years of service will increase the minimum salary for full-time clergy by $782 per year.

[1] Range reflects difference in housing value amounts listed above

[2] Range reflect difference in housing value and professional expense amounts listed above