

TREASURERS' NEWSLETTER



EPISCOPAL CHURCH IN CONNECTICUT
PARTICIPATING IN GOD'S MISSION

2016

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TREASURERS' NEWSLETTER

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1 CLERGY COMPENSATION INFORMATION

1.1 2016 MINIMUM SALARY SCHEDULE (FOR ALL STIPENDIARY CLERGY INCLUDING TRANSITIONAL DEACONS)

The following schedule (w/comparisons from 2011 forward) was ratified by the Executive Council at its September 20, 2015 meeting for subsequent presentation to our Annual Convention on November 13th and 14th, 2015, 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 I

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|-------------|-------------|-------------|-------------|-------------|-----------------|
| % Increase | 2.50% | 3.00% | 1.00% | 1.50% | 1.50% | 0.65% ii |
| Transitional Deacons/ Priests first full year iii | \$32,081.00 | \$33,043.00 | \$33,373.00 | \$33,874.00 | \$34,382.00 | \$34,605.00 |
| Full-time assistants | \$34,373.00 | \$35,404.00 | \$35,758.00 | \$36,294.00 | \$36,838.00 | \$37,077.00 |
| Rector/Priest-in-charge | \$38,959.00 | \$40,128.00 | \$40,529.00 | \$41,137.00 | \$41,754.00 | \$42,025.00 |
| 1st 20 Years iv | \$689.00 | \$710.00 | \$717.00 | \$728.00 | \$739.00 | \$744.00 |
| Top of minimum | \$52,732.00 | \$54,328.00 | \$54,869.00 | \$55,697.00 | \$56,532.00 | \$56,899.00 |
| Continuing Education iv | \$1,500.00 | \$1,500.00 | \$1,500.00 | \$1,500.00 | \$1,500.00 | \$1,750.00 |

1.1.2 MINIMUM COMPENSATION FORMULA FOR PART-TIME CLERGY

| | <u>Minimum Cash Salary</u> | <u>Continuing Education</u> | <u>Social Security Allowance (SSA)</u> | <u>Housing/ Utilities Allowance</u> | <u>Medical, Dental & Life Insurance</u> | <u>Pension</u> |
|--|---|-----------------------------|---|-------------------------------------|---|---|
| 3/4 time | 75% of Full-time | 100% of Full-time | Same formula as Full-time | 75% of Full-time | 85% - 100% of 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 premium | Same formula as Full-time |
| Missional Priest (8-20 hours/week Sunday Plus) ▼ | Negotiable (if retired, must be under the "work after retirement" earnings cap) | Negotiable | Same formula as Full-time (Not applicable if clergy is retired) | Negotiable | Negotiable | Same formula as Full-time (Not applicable if clergy is retired) |

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 | Negotiable |
| 1/2 time | * | 7 paid Holidays / Leave days | Negotiable | Negotiable |
| Missional Priest ▼ | * | N/A | N/A | Negotiable |

* Five weeks, which may include up to 5 Sundays (at the discretion of the clergy). A week is commensurate to the call and 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 (MP) —Five MP weeks, as delineated in LOA

1.1.4 ADDITIONAL COMPENSATION COMPONENTS AND REQUIREMENTS

SOCIAL SECURITY ALLOWANCE (SSA): See factors for this calculation in the Treasurers Newsletter which approximate 60% of the self-employment (SE) liability of compensation package

HOUSING/UTILITIES: Parish may provide church owned housing and church paid utilities or they may provide a housing allowance. 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 3.0 – 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 or receives a housing allowance that does not permit an ownership interest in that housing. See [Section 1.3](#) for more information.

MEDICAL, DENTAL AND LIFE INSURANCE: Whether coverage under this health insurance plan is for a single person, two persons, or a 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 Executive 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 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 beginning in 2018. Parishes that have not already done so are encouraged to phase-in employee premium contributions particularly for the CIGNA Open Access Plus In-Network plan. Premiums for life insurance and dental coverage for full-time clergy must be paid 100% by the employer. Medical for part-time clergy will be based upon the part-time guidelines.

PENSION FUND CONTRIBUTIONS: Calculated based upon "compensation" according to Church Pension Fund formula based upon type of housing provided. See section 6 of this Treasurers' Newsletter for guidance on calculating this benefit.

TRAVEL 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 lunches and professional memberships. Travel in support of church business should be reimbursed at the IRS mileage rate, which is currently \$0.54 per mile, last updated on June 3, 2015. Changes in the IRS mileage reimbursement rate are presented here: [2016 Standard 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 recognition for work well done beyond the expectations outlined in letters of agreement.

1.2 NOTES ON COMPENSATION

- i** If in church owned housing, utilities may be pro-rated based upon full-time equivalent (FTE) rates. In addition to the cash minimum salary above, compensation packages 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 0.65% increase over the 2015 salary schedule. The figures are based on projections using trends and figures available from the Bureau of Labor Statistics through 9/21/2015. There is no additional base increase built into the increment.
- 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.
- vi** The Continuing Education amount for 2016 is \$1,500.00 for full-time clergy 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 is an integral part of this allowance for full-time clergy.
- v** The Missional Priest (MP) is an active and engaged leader that helps a parish to re-imagine and re-engage its vocation to participate in God's mission of restoration and reconciliation in new and life-giving ways. This call is beyond what is historically described as "long term supply" and requires a commitment of time, energy, and talent beyond Sunday services and pastoral care. "Sunday Plus" describes the "work period" of the MP in broad terms. The MP presides and preaches at Sunday Eucharist and an additional day or two ("Plus"), the amount of time and day(s) to be negotiated between the Vestry and MP, not to be less than 8 hours weekly, and not more than 20. "Plus" 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.). When calculating vacation, the MP is entitled to annual paid vacation of 3 Sundays and 2 "Plus" days, however this is negotiated in the LOA.

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 rent their homes or receive a housing allowance that does not permit an ownership interest in their housing are to be paid a Housing Equity Allowance equal to 3.0% of their compensation as defined below and in the formulas in [Section 1.4.2](#).

Clergy who own their residence or 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-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 on page 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 and electric 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 2016 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 \$118,500 for 2015 and will be at least that figure for 2016. 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 \$119,500. We expect that the maximum SE tax liability for clergy (social security self-employment tax) for 2016 on the first \$119,500 will be \$18,284 (15.3% of \$119,500).

As in 2015, income for 2016 above the estimated maximum of \$119,500 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 \$119,500 income level approximates 60% of the 2.9% tax or 1.74%. Any change in the Medicare rate for 2016 should be known in November.

Stated differently: 2016 Estimated SE and Medicare tax rate is 15.3% on the first \$119,500 and 2.9% from \$119,500 to No Maximum

1.4.1 FACTORS TO CALCULATE THE ESTIMATED 2016 SOCIAL SECURITY ALLOWANCE

(To be paid by parishes On the first \$119,500 of total compensation):

| For clergy whose churches: | Factor |
|-----------------------------------|----------------------------|
| Provide Housing with no HEA | .1355 (Cash + Utils) |
| Pay Housing allowance | .1011 (Cash + Hsg + Utils) |
| Provide Housing and pay HEA | .1415 (Cash + Utils) |

For total compensation packages above the estimated SE and Medicare tax rate of \$119,500, multiply the excess over \$119,500 by 1.74% (again, 60% of 2.9% as described above) to compute the allowance on the excess and add to the calculation from the factors above to determine the total Social Security Allowance.

1.4.2 FACTORS TO CALCULATE THE ESTIMATED 2016 HOUSING EQUITY ALLOWANCE (HEA)

| For clergy whose churches: | Factor |
|---|---------------------------------|
| Provide housing | .0390 (Cash + SSA + Utils) |
| Pay housing allowance (also used for rentals) | .030 (Cash + SSA + Hsg + Utils) |

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

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 2016 (ESTIMATED)

- 15.3% - (Lay Employee=7.65%, Employer=7.65%) on the first \$119,500 (estimated cap for 2016)
- 2.9% - (Lay Employee=1.45%, Employer=1.45%) on the amount over \$119,500 (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 CLERGY HOUSING AND FURNISHING ALLOWANCES

Housing, furnishing, and professional expense allowances **must be voted and duly recorded by the vestry prior to January 1, 2016** the beginning of the new tax year.

1.5.1 CLERGY WHO OWN THEIR OWN 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 2016 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 their area and document the address, square footage and advertised rental prices of these comparable properties.

1.5.2 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 below:

1.5.2.1 MODEL RESOLUTIONS FOR CLERGY PARSONAGE ALLOWANCE

Cleric lives in his/her own house

Resolution of the Vestry Meeting of 12/10/15: 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 2016, that \$36,000 be designated a parsonage allowance within the meaning of that term as used in Section 107 of the IRS Code 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 12/10/15: 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 2016, that \$7,200 be designated a parsonage allowance within the meaning of that term as used in Section 107 of the IRS 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.

1.5.3 PROFESSIONAL/TRAVEL EXPENSE ALLOWANCE

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 within the guidelines outlined above. Vestries should honor the request and properly document their minutes.

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 **\$.054 per mile**) should be the basis for this reimbursement. 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.

1.6 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@cp.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.

1.6.1 ELECTRONIC TAX DEPOSITS – FEDERAL

Federal tax deposit must be made by electronic funds transfer. For 2016 information go to www.irs.gov and search for "Publication 15 – Circular E, Employer's Tax Guide". Section 11 is titled "Depositing Taxes", and on page 28 are instructions on "How to Deposit" and the "Electronic Deposit Requirement".

1.6.2 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 organization which 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.

1.7 2016 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 full-time, part-time, supply or interim work or consultant work that continues for at least three consecutive months and where the stipend is at least \$200 per month for other than reimbursement of travel expenses. The formula for calculating the pension assessment follows:

1.7.1 CLERGY LIVING IN CHURCH PROVIDED HOUSING

$$[(\text{Cash Salary} + \text{Utilities in the provided housing} + \text{Social Security Allowance}) \times 130\% + \text{Housing Equity Allowance (if paid)}] \times 18\% = \text{Pension Assessment}$$

1.7.2 CLERGY LIVING IN PERSONALLY OWNED OR RENTED HOUSING

$$[\text{Salary} + \text{Housing and Utility Allowance} + \text{Social Security Allowance}] \times 18\% = \text{Pension Assessment}$$

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 2015 or no later than the first quarter billing in 2016. 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 formulae 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) or as a pdf file by clicking here: [Clergy Pensions Overview](#)

1.8 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.

1.8.1 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 current approved rate) relating to pastoral care and other church activities, conferences, retreats, continuing education, excepting commuting from home to church. Expenses for books, program and presentation materials related to the ministry; all telephone, postage, and supply expenses should be reimbursed, as should continuing education fees and expenses at the rate in effect for clergy reimbursement. Fees and expenses for our Annual Convention, conferences, and retreats should be reimbursed as well.

1.8.2 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 GLMD RATES AND COVERAGES FOR 2016

2.1.1 EMPLOYEE CONTRIBUTIONS TOWARD MEDICAL INSURANCE

A resolution passed at our Annual Convention authorized the Bishops and Diocesan Executive Council (BDEC) to set the minimum amount parishes must pay towards employee medical insurance premiums. At their March 7, 2012 meeting, the Executive Council set the minimum parish contribution to the cost of medical insurance at 85% for employees regularly scheduled to work 1,500 hours or more per year. Parishes that do not currently have employee contributions toward medical insurance and wishing to make such a change 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 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 EMPLOYEE

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 full-time (regularly scheduled to work 1500 hours or more per year) lay employees of all Episcopal churches and related entities. The effective date for parity to be in place was January 1, 2015. All parishes should 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 1/1/2016

For 2016, ECCT employees can choose from three plans offered through the Denominational Health Plan: 1) Anthem Choice Plus PPO 80/60, 2) CIGNA Open Access Plus-In Network and 3) CIGNA High Deductible/HSA Plan (HDHP) **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 HDHP 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 2016 premiums are as noted below for the plans currently being offered. These rates represent an increase of approximately 6% for both of the CIGNA plans. The Anthem 80/60 plan replaces United Healthcare's Choice 80/60 plan, with no changes from its 2015 premiums. Please bear in mind that although there are differences in premiums for these three plans, the Insurance Board has determined that 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, 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).

Beginning in 2016, ECCT will draw on the investment income from Missionary Society Funds (consistent with original donors' intentions and restrictions) to offset benefit costs. This will allow us to make significant reductions in Dental and Life Insurance premiums for 2016. Dental and Life Insurance premiums will continue to be payable on a monthly basis to the Episcopal Church in Connecticut. Please see [Section 7.7](#) concerning invoicing and recurring payment for these premiums in 2016.

Because there was no increase in one health plan, 6% increases in the other two and significant percentage reductions in the Dental and Life insurance premiums, the changes in total employee benefit costs varies depending on plan selection and coverage, ranging from 5% increase to a 5% decrease.

2.1.4.1 2016 PACKAGE ANNUAL PREMIUMS

| | 2016 Medical Plan Choices | | | | | 2016 Total Life, Medical & Dental | | |
|------------|---------------------------|--------------|-------------------|---------|--------------|-----------------------------------|--------------|-------------------|
| | CIGNA HDHP | Anthem 80/60 | CIGNA Open Access | Dental | Life (\$75K) | CIGNA HDHP | Anthem 80/60 | CIGNA Open Access |
| FAMILY | \$21,036 | \$26,244 | \$31,920 | \$2,467 | \$300 | \$23,803 | \$29,011 | \$34,687 |
| TWO PERSON | \$13,524 | \$16,872 | \$20,520 | \$1,586 | \$300 | \$15,410 | \$18,758 | \$22,406 |
| SINGLE | \$7,512 | \$9,372 | \$11,400 | \$881 | \$300 | \$8,693 | \$10,553 | \$12,581 |

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 and Matt Handi at the Episcopal Church in Connecticut (at 203-639-3501, ext. 107) has been provided properly completed forms for enrollment prior to the start date. This may require COBRA or Extension of Coverage benefits from a prior plan to ensure continuity of coverage. All changes must be in writing.

2016 OPEN ENROLLMENT: Open enrollment for active employees will occur from 10/21/15 – 11/6/15. 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. copays) 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.

Employees who select a High Deductible Health Plan ("HDHP") 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 2016

For 2016, we suggest that parishes budget a 6% increase in Property and Casualty premiums. These premiums actually support a variety of coverages from different carriers, each with anticipated premium changes that in aggregate are expected to increase by 6%. Our insurance broker, Willis, estimates that premiums for Property, Directors' and Officers' Liability and Crime coverage will be higher than 6% and that premium increases for other coverage (General Liability, Fiduciary Liability, Umbrella coverage, etc.) will be less than 6%.

Some parishes have Auto insurance, which is expected to increase in cost by 5%, or Flood insurance, which is not expected to increase in cost in 2016.

We suggest that parishes use these estimates in preparing their 2016 budgets. Final underwriting analysis for the 2016 renewal will not be completed until late December 2015.

2.2.1 AUDITS

Since most embezzlements are either prevented or easily and promptly detected by good audit practices, parish audits in accordance with the canons are required and need timely completion. Our underwriters will continue to ask for audit information directly from the parish. Please complete your audits as quickly as possible in accordance with guidelines referenced below. Failure to have audits submitted by the canonically required deadline of September 1st may void coverage at the time of a claim submission. There have been 32 embezzlements in the past 31 years. Audits are essential for good fiduciary management! Please note that instructions regarding the audit procedures to be implemented for the year 2015 audits, which were due on September 1, 2016, are available on the website of the Episcopal Church in Connecticut at <https://www.episcopalct.org/FileRepository/>.

2.2.2 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 <http://www.nhtsa.gov/CA/10-14-2010> 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

Please make use of the proper form from your Insurance Information packet for obtaining Builders Risk Insurance when your parish has entered upon a building addition or renovation project. The form should be completed and forwarded to Suzanne Stanley at Willis in Boston before construction starts.

2.2.5 IN-TRANSIT COVERAGE

To obtain in-transit coverage above the sub-limit of \$500,000, please report fine arts and other insured personal property, including organs in excess of that value, to Willis.

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 \$2,500) 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 subsidy offer!

2.2.7 RENEWAL QUESTIONNAIRE

Under separate cover, an Insurance Questionnaire form has been sent out to each parish and must be completed and returned ASAP. The information included in this questionnaire is essential to obtaining quotes. When the form arrives, please make sure your form is completed and returned to Willis of Massachusetts as indicated. Please note that there are several questions regarding church activities on and off the premises that must be answered for the underwriters. The information from these questionnaires is an essential part of the quote process and is essential to ensuring that parish's only pay for insurance that is needed. As parish programs change, risks change and this form is the only way we have of obtaining this information from the parishes. You can find a copy of the questionnaire here: [2016 Parish Renewal Questionnaire](#).

2.2.8 CHURCH BUILDING USE (CERTIFICATE OF INSURANCE)

Users (tenants) of church buildings who are not parish-sponsored must provide certificates of insurance 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 the insurance office at Willis (1-800-343-2896) if you have questions.

2.2.9 CERTIFICATES OF INSURANCE

Requests for Certificates of Insurance for parish events, protection of leased equipment, etc. can be obtained from Willis by using their website <https://www.intellicerts.com> or calling the toll free Certificate Number (1-877-945-7378) or faxing the info to Willis @ 1-888-467-2378.

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 for lay employees is 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](#). INVESTMENT INFORMATION

2.4 EPISCOPAL INVESTMENT FUNDS

In 2014, the Trustees of Donations and Bequests for Church Purposes, Inc. ("D&B") 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 must be made in writing. The form designed for this process can be accessed at the website below. The completed form should be sent to the attention of Theresa Dupont by email (tdupont@episcopalct.org), fax (203-235-1008) or mail 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 The Episcopal Church 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.

Parishes unable to manage adequate oversight of investment funds will be asked to comply promptly with The Episcopal Church's Canon 1.7.1.(b) in managing their investments.

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 extension of time for schools only:** Schools have been given until 1/1/2018 to achieve the full employer contribution 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 2014 RECORDS

2014 audits were due in the Bishop's office by September 1, 2015. Filing the report online does not fulfill this requirement as that system is The Episcopal Church Center's system and not that of the Episcopal Church in Connecticut. A paper copy with the appropriate signatures must be submitted to the Episcopal Church in Connecticut for the report to be considered properly filed. Parishes and agencies whose audits are not received by September 30, 2015 will find any payments from the Episcopal Church in Connecticut that would have been due at that time held up until an acceptable audit is received. Please contact Carolyn Nicolaides (203-639-3501, ext. 134) if you are encountering delays in having your audit performed. The 2014 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.

RECORDS AUDIT NOTE: The Finance Committee developed audit guidelines requiring agreed upon procedures for parish audits of parishes with operating budgets below \$500,000. Audit committees are no longer acceptable as auditors. Outside independent public accountants (IPA) or certified public accountants (CPA) must be utilized. All parishes with total income above \$500,000 must have a full examination GAAP/FASB compliant audit done annually – no exceptions. Tax preparers, bookkeeping services, and internal or external audit committees are not permitted. The following is a list of the most common deficiencies that were noted in management letters from parish audits and should be corrected as soon as possible:

- Accruing payrolls
- Booking realized, unrealized gains and losses on investments
- Bank reconciliation done by one person, usually the treasurer
- I-9s not on file
- Organized personnel records not readily accessible to anyone
- Second signatures on checks in excess of a stated dollar amount
- Regular computer backups and off-site storage of backup tapes
- Failure to provide all accounts for auditing especially clergy discretionary funds
- Failure to prepare and file Form 1096 and Forms 1099 for independent contractors

4.1.1 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 copy should still be mailed to the Episcopal Church in Connecticut.

4.1.2 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. 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., 2015 contributions should be at least 10% of the 2013 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 7.7](#), for information concerning invoicing and recurring payment for these contributions.

5 SUPPLY CLERGY

5.1 CLERGY SUPPLY AND CONSULTANT RATES FOR 2016

The following rates for 2014, 2015 and 2016 were approved by the Executive Council at their 9/7/13 meeting:

| | | |
|------------------|--------------------------|----------|
| Supply Clergy | One Service | \$175.00 |
| | Two Services | \$220.00 |
| | One 8 Hour Day | \$300.00 |
| ECCT Consultants | Per Unit (3hr time span) | \$195.00 |

In addition to the above rates, supply clergy and consultants are reimbursed for travel. The current reimbursement rate is \$0.54 per mile, consistent with the IRS business travel reimbursement rate, (as presented here: [2016 Standard Mileage Rates for Business](#)). Mileage reimbursements for 2016 should conform to possible changes in the IRS mileage rate throughout the year as reported on the IRS website.

Church Pension Fund assessments are required of all parishes when the supply priest serves continuously for at least three (3) months and the stipend paid is at least \$200 per month (excluding travel reimbursements). Pension is calculated at 18% of the total accrued stipend for the time continuously served and remunerated.

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 donee and the date and amount of the contribution; or 2) a written communication from the charitable organization (parish) showing the name of the donee 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 donee, 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) (8) (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 links below:

- [The Restriction of Political Campaign Intervention by Tax Exempt Organizations](#)
- [Charities & Non-Profits/Churches & Religious 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 <http://www.irs.gov/charities/churches/index.html>

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 MISCELLANEOUS

7.1 TREASURERS' WORKSHOP

A Treasurer's Workshop for new and returning treasurers will be incorporated with the April 2, 2016 "Spring Training Day". Information will be announced in the Finance and Operations and General e-newsletters as information becomes available.

7.2 CELLULAR PHONE TOWERS/ANTENNAS

In conjunction with the Standing Committee, we have reviewed several requests for long term leases of steeple or tower space in parishes for cellular phone or beeper transmission use. The companies offering to lease these sites are unyielding in their lease terms, which do not adequately protect parish liability nor provide a means for escape from the long-term lease if necessary. We recommend that you avoid these relationships and remind you that all such encumbrances must be brought before the Standing Committee for approval. Please call or email Matt Handi (860-233-4481 ext. 107, mhandi@episcopalct.org) for more detailed information.

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 http://www.eeoc.gov/eeoc/chair/accommodations_for_religious.cfm), but common sense should prevail if this issue arises in your setting.

7.4 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.

7.5 PARISH BROKERAGE ACCOUNT FOR STOCK TRANSACTIONS

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 tool to encourage pledge payments for the annual pledge appeal, for capital fund payments and for planned gifts.

7.6 ELECTRONIC INFORMATION AND FORMS

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

7.7 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.

7.8 REVOLVING LOAN FUND MANAGEMENT PRACTICES

Beginning in January, 2016, parishes participating in ECCT’s Revolving Loan program will incur 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 2016.

7.9 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 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 AND OPERATIONS AT THE EPISCOPAL CHURCH IN CONNECTICUT, BY PHONES AT 203-639-3501, EXT. 123, OR BY EMAIL AT LFUERTES@EPISCOPALCT.ORG

APPENDIX A

SAMPLE COMPENSATION PACKAGE COMPUTATIONS FOR 2016

Abbreviations used:

| | | |
|--|---|--|
| <u>Cash</u> = Cash Salary | <u>SSA</u> = Social Security Allowance | <u>Hsg</u> = Housing/Utility Allowance |
| <u>Utils</u> = Utilities Allowance or cost of utilities provided | <u>HEA</u> = Housing Equity Allowance | |
| <u>Pens</u> = Church Pension Fund Assessment | <u>Fact</u> = Calculation Factor from Page 3 of this newsletter | |

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 |
| Salary = \$42,025 + \$13,392(=18 years X \$744) = \$55,417 |
| Base + Annual increment = Cash |
| Social Security Allowance |
| (\$55,417 + \$4,200) X 0.1415 = \$8,436 |
| (Cash + Utils) X Factor = SSA |
| Housing Equity Allowance |
| (\$55,417 + \$4,200 + \$8,436) X 0.0390 = \$2,654 |
| (Cash + Utils + SSA) X Factor = HEA |
| Church Pension Fund |
| [(\$55,417 + \$4,200 + \$8,436) X 130% + \$2,654] X 18% = \$16,402 |
| [(Cash + Utils + SSA) X 130% + HEA] 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 |
| \$56,899 (Top of Minimum) |
| Base for 20 years = Cash |

| |
|--|
| Social Security Allowance |
| $(\$56,899 + 35,000) \times .1011 = \$9,291$ |
| $(\text{Cash} + \text{Hsg}) \times \text{Factor} = \text{SSA}$ |

| |
|---|
| Church Pension Fund |
| $(\$56,899 + \$35,000 + \$9,291) \times 18\% = \$18,214$ |
| $(\text{Cash} + \text{Hsg} + \text{SSA}) \times 18\% = \text{Pens}$ |

APPENDIX B

LOA SAMPLE COST COMPARISON 2016 – CLERGY NOT LIVING IN HOUSING PROVIDED BY THE PARISH

| RECTOR | Full Time | Assistant - FT | 3/4 Time | Half Time | Missional Priest |
|--|---|--------------------------------|------------------------------------|------------------------------------|---|
| | 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 | \$42,035 | \$37,077 | \$31,519 | \$21,013 | APPROX. \$10,000-\$18,000 |
| Housing (Current market rental value, includes utilities) | \$20,000-\$30,000 | \$15,000-\$25,000 | \$15,000-22,500 | \$10,000-\$15,000 | As negotiated. |
| SSA | \$6,271- \$7,282 ¹ | \$5,265-\$6,276 ¹ | \$4,703-5,461 ¹ | \$3,135-\$3,641 ¹ | As negotiated if not retired |
| Pension | \$12,293-\$14,275 ¹ | \$10,322-\$12,304 ¹ | \$9,220-\$10,706 ¹ | \$6,147-\$7,138 ¹ | As negotiated if not retired. |
| Continuing Education | \$1,750 | \$1,750 | \$1,750 | \$1,750 | Negotiable |
| Professional Expenses | Negotiable Approx. \$3,000-\$5,000 | \$1,000-\$3,000 | Negotiable Approx. \$1,500-\$3,000 | Negotiable Approx. \$1,000-\$1,500 | Negotiable Approx. \$200-\$600 |
| Vacation | Five Weeks (Which may include 5 Sundays) | Five Weeks | \$3,000 Five 3/4 Time Weeks | Five 1/2 Time Weeks | Five MP weeks delineated in the LOA |
| Total Minimum Package (Not in Church Housing) | \$85,089-\$100,08 ² | \$70,164-\$85,157 ² | \$63,067-\$74,311 ² | \$42,044-\$49,041 ² | Approx. \$12,500-\$24,000 |

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 \$744 per year.

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.

¹ Range reflects difference in housing value amounts listed above

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