

# Minimum Clergy Salaries for 2017 as well as Health, Pension, and Life & Disability Insurance Benefits for All Active Employees

The Diocese of Arkansas

---

2017 Standards and Plan Offerings

(as of 20 October 2016)

For more information or to answer your specific questions:

Benefits for current employees or to enroll new employees:

Beth Matthews at [bmatthews@episcopalarkansas.org](mailto:bmatthews@episcopalarkansas.org)

Plan structure, tax and reporting information:

Mary Jane Hodges [mjhodges@episcopalarkansas.org](mailto:mjhodges@episcopalarkansas.org)



## **Table of Contents**

|  |           |
|--|-----------|
| <b>Some highlights:</b> .....  | <b>4</b>  |
| <b>2017 Minimum Clergy Compensation Guidelines</b> .....               | <b>5</b>  |
| <b>The Episcopal Church Medical Trust plans offered in 2017:</b> ..... | <b>6</b>  |
| <b>Coverage Under the Affordable Care Act</b> .....                    | <b>6</b>  |
| <b>Dental Insurance</b> .....  | <b>7</b>  |
| <b>Details about pension plans for lay employees:</b> .....            | <b>7</b>  |
| <b>Life and Disability Insurance</b> .....                             | <b>9</b>  |
| <b>Here is the checklist of what you need to do:</b> .....             | <b>10</b> |
| <b>Other Costs Associated with Employees</b> .....                     | <b>11</b> |

### **Some highlights:**

- Minimum clergy salaries have been increased by \$200-\$300 per year for 2017.
- The minimum congregational contribution toward health insurance premiums increases to \$8,200.
- All employees who work at least 1500 hours per year are provided the same health insurance benefit by the employer, and all employees, unless exempted, will be covered by the Episcopal Church Medical Trust. Employees working between 1000 and 1500 hours per year may choose to enroll at their own expense.
- Dental insurance will continue under the Delta Dental of Arkansas plan that we currently use. This plan is not an offering of the Episcopal Church Medical Trust. Dental rates are not rising for 2017.
- Life insurance: Employers pay for a group term life insurance policy for members of the clergy. Lay employees are eligible for the same insurance when they are scheduled to work at least 1000 hours per year. Employers pay the premiums.
- Short-term disability insurance is provided by the Church Pension Fund for active clergy. Short-term and long-term disability insurance is available for eligible lay employees. Both clergy and lay employees can purchase long term disability insurance through Church Life Insurance. Either the employer or the employee may pay disability premiums.
- Lay employees who are scheduled to work at least 1000 hours per year will receive a pension benefit that costs the employer up to 9% of salary.
- School employees who are scheduled to work at least 1000 hours in 2017 should be enrolled in an approved pension plan in which the employer makes a minimum contribution of 4%, plus a 3% match of employee contributions.
- Employers continue to make pension contributions equal to 18% of salary for clergy.

## 2017 Minimum Clergy Compensation Guidelines

Minimum compensation comprises the base on which the Church Pension Fund calculates clergy pension assessments. Minimum compensation (salary) in Arkansas includes stipend, cash and non-cash housing and utilities allowances, and self-employment tax reimbursement (SECA).

SECA reimbursement is 7.65% of the sum of stipend and housing/utilities. To determine stipend and housing/utilities, divide gross compensation on the following grid by 1.0765. SECA reimbursement will be the difference between that number and gross compensation. The IRS regulates the tax-exempt housing/utilities allowance.

### Minimum compensation for 2017 (including reimbursement for self-employment taxes and housing allowance):

| 2017 minimum compensation<br>for pension assessment |                             | Average Sunday Attendance (ASA) |          |          |          |
|---|-----------------------------|---------------------------------|----------|----------|----------|
|   |                             | 1-75                            | 76-140   | 141-225  | 226+     |
| <i>Years of credited Service (YCS)</i>              | <b>0 - 2.9 years</b>        | \$51,400                        | \$51,400 | \$51,400 | \$51,400 |
|   | <b>3 - 9.9 years senior</b> | \$57,100                        | \$61,200 | \$68,200 | \$81,800 |
|   | <b>assistant</b>            |                                 | \$57,100 | \$57,100 | \$57,100 |
|   | <b>10+ years senior</b>     | \$59,100                        | \$68,200 | \$73,600 | \$91,100 |
|   | <b>assistant</b>            |                                 | \$59,100 | \$59,100 | \$59,100 |

Please note that other optional forms of compensation, as defined by the Church Pension Fund, will add to the pension base. Some examples are expense allowances not accounted for by clergy, year-end bonuses, housing equity allowances, church contributions to 403(b) accounts, utilities paid for clergy, athletic club fees, tuition paid for dependents, one-time payments (e.g., retirement gifts), etc.

Additionally, vestries must be cognizant of the complexity of the job (often based on the congregation's size) and any special skills (such as advanced education and/or other work experience) that the priest brings to the job. Median compensation throughout the church is higher than these minimums. On average, clergy salaries in Arkansas are at about the midpoint for clergy salaries in the Episcopal Church as a whole. As vestries consider compensation, please call the canon to the ordinary in the diocesan office for assistance in determining a suitable amount.

## **The Episcopal Church Medical Trust plans offered in 2017:**

| <b>Name</b>  | <b>Employee-only coverage</b> | <b>Family coverage</b> |
|--|-------------------------------|------------------------|
| Blue Cross PPO 75%/50%   | \$8,604                       | \$19,788               |
| Blue Cross EPO 80%   | \$9,120                       | \$20,976               |
| Blue Cross High Deductible plan<br>With Health Savings Account funding | \$8,688                       | \$19,226               |

**The diocesan minimum standard is that the employer pays the first \$8,200 in insurance costs for employee-only coverage.** Employees pay the difference for the plan that they choose, **unless that local congregation or other employer has established a higher benefit that is available to all qualified employees, lay and ordained.** For example, the standard in the diocesan office for its employees is that the office pays \$8,200 toward the cost of employee-only coverage, plus another \$5,600 of the additional cost of a family plan, provided that family coverage is under an Episcopal Church Medical Trust plan.

This diocese has an open enrollment period in which employees already insured by the Episcopal Church Medical Trust go online and confirm the insurance coverage they wish to receive in 2017. Other employees seeking initial enrollment must contact the diocesan office during the open enrollment period.

### **Coverage Under the Affordable Care Act**

The Affordable Care Act provides an option for buying healthcare coverage for employees who are not required to have coverage through The Episcopal Church Medical Trust (because they are scheduled to work less than 1500 hours in 2017). For details visit [www.healthcare.gov](http://www.healthcare.gov).

Arkansas has a Health Insurance Marketplace through which individuals may apply for private health insurance and enroll in a health plan.

### **Alternate Rates for Employees Enrolled in Medicare Part A**

The federal government provides a Medicare Secondary Payer Exemption for small employers. Under certain circumstances it allows Medicare Part A coverage to be primary, with employer-provided coverage to become secondary for hospital stays, resulting in lower Medical Trust premiums for employees who are on these specific plans. The two plans offered have benefits identical to the benefits of our standard plans. To participate, the employer (that is, the local congregation) cannot have 20 or more employees for 20 weeks of the current and preceding calendar years. For information on



contributions to match employee contributions of that amount. Certain existing plans, such as TIAA-CREF plans, are also acceptable. If you need to enroll one or more employees in a Church Pension Fund retirement plan, please contact Mary Jane Hodges in the diocesan office for instructions.

Church employers may enroll eligible lay employees in a CPF-sponsored plan or a non-CPF-sponsored plan. If the latter choice is made:

*~ If a defined benefit plan, the employer shall be permitted to continue the plan as long as the plan design delivers pension benefits not less than the pension benefits required by Resolution A138, as determined by the Plan Administrator (the Church Pension Fund). Annual certification will be required.*

*~ If a defined contribution plan, the employer shall be required to begin participation in a CPF sponsored lay employee pension plan (Note: There are IRS regulations that should be considered prior to terminating an existing defined contribution plan. The CPF recommends that the employer freeze the existing defined contribution plan rather than terminating it.)*

**Extended Phase-In Schedule of Employer Pension Contributions for Schools**

| As of           | Required Base Contribution | Required Match Contribution |
|-----------------|----------------------------|-----------------------------|
| :               |                            |                             |
| January 1, 2017 | 4%                         | 3%                          |
| January 1, 2018 | 5%                         | 4%                          |

If a school currently participates in a defined contribution plan for lay employees administered by TIAA-CREF that provides contribution levels equal to or exceeding those required by General Convention, that plan may be retained. Annual certification will be required.

If a Church employer does not have a lay employee pension plan and does not have eligible lay employees, nothing needs to be done until such time as the employer has a lay employee who is scheduled to work 1,000 or more compensated hours per year.

## Life and Disability Insurance

The Church Life Insurance Corporation makes available life and disability insurance for active members of the clergy and lay employees who work at least 1000 hours per year. **All newly hired members of the clergy and lay employees need to contact the diocesan office immediately upon employment in order to enroll for the appropriate coverage. Guaranteed enrollment for life and disability coverage is available only during the first 30 days of employment.** The following chart details the insurance coverage that is available.

| Benefit  | Clergy  | Lay Employees  |
|--|---|--|
| Church Pension Fund-sponsored Life Insurance (based on salary, with a cap of \$100,000)  | Automatically enrolled as long as the employer pays assessments to the clergy defined benefit pension plan.   | Automatically enrolled as long as the employer pays assessments to the lay employee defined benefit pension plan ONLY.   |
| Diocesan-sponsored \$40,000 Life Insurance with accidental death and dismemberment rider | The employer pays the premium for this policy. The cost is currently \$302.40 per year. <b>The employee must sign up through the diocesan office.</b>   | Eligible lay employees are qualified to sign up for this policy. The employer pays for this coverage (currently \$302.40 per year). <b>The employee must sign up through the diocesan office.</b>                    |
| Life Insurance supplemental to other employer-provided insurance                         | Additional life insurance that provides coverage in addition to CPF and diocesan-sponsored insurance. The employee may pay the additional premium.  | Additional life insurance that provides coverage in addition to CPF and diocesan-sponsored insurance. The employee may pay the additional premium.   |
| Supplemental Spouse Life Insurance   | Available only if the employee signs up for supplemental life insurance. The employee may pay the additional premium.   | Available only if the employee signs up for supplemental life insurance. The employee may pay the additional premium.  |
| Income Replacement Insurance (Short-Term Disability)                                     | Provides income replacement for loss of income due to disability in months two through twelve following accident or illness. Automatically enrolled as long as the employer pays assessments to the clergy defined benefit pension plan. CPF pays for the coverage. | Provides income replacement for loss of income due to disability in months two through twelve following accident or illness for salaried employees. The employer and employee decide who will pay for this coverage. |
| Long-Term Disability   | Provides coverage for disability that lasts more than twelve months. The employer and employee decide who will pay for this coverage.   | Provides coverage for disability that lasts more than twelve months. The employer and employee decide who will pay for this coverage.  |

### **Here is the checklist of what you need to do:**

- During the open enrollment period this fall your vestry will make available one or more of the Episcopal Church Medical Trust plans to every employee who is scheduled to work 1500 or more hours per year in 2017 (a “qualified employee”).
- Your vestry will decide exactly how much you will pay toward the cost of health insurance, and that contribution will be the same for lay employees and members of the clergy. For example, if the vestry chooses to pay all insurance premiums for a clergy family, it also pays all insurance premiums for a lay employee’s family. Conversely, if the employer pays the premiums for the eligible employee only (that is, not paying for family coverage), it does so for both lay and ordained employees. The exceptions are:
  - Clergy already employed on December 31, 2012, may keep the plan already negotiated as long as they stay in their same position at their current congregation. This is a “grandfather clause” for existing clergy.
  - Qualified lay employees who are already employed on December 31, 2012, may keep an existing plan that has been approved by the employer. This is a “grandfather clause” for existing lay employees.
  - If the employee desires to be insured by a spouse’s or partner’s **employer-provided** plan, the employee may choose to do so.
  - If the employee is insured by a government-sponsored plan, such as Medicaid, TRICARE, or full Medicare, the employee may choose to continue to do so. However, the employer cannot pay the premiums. See page 5 in this brochure for insurance rates available to small employers with employees who have only Medicare Part A.
  - If the employee wishes to remain covered under a previous **employer’s group** insurance plan, the employee may choose to do so (e.g., persons with COBRA coverage or persons with retiree coverage provided by former employers).
  - In 2013 the Executive Council initially approved a diocesan minimum health insurance benefit that each vestry was to offer. This year’s minimum has been set in light of that approval (see page 5). Your vestry might decide to offer to pay more than the minimum. Employers do not pay the premiums for plans other than Episcopal Church Medical Trust plans (except for existing lay employees as outlined in the “grandfather clause” noted above).

- The qualified employee decides whether or not to have family coverage through the Episcopal Church Medical Trust. The vestry will decide how much of the added family premium will be paid by the employee through pre-tax payroll deduction and how much by the employer. Please remember that the same benefit is to be offered to all employees, lay or ordained, unless exempted as previously stated.
- Executive Council has approved an exemption from this health insurance requirement for school employees, but at the same time urges employers to provide this health insurance benefit. It is up to vestries to determine who is a school employee, but the general guideline is that it is someone who works exclusively with children of any age on weekdays in an educational setting. Thus, a member of the church staff who works both in the church office and in the school is not an exempted school employee.
- Your vestry needs to decide if it wants to offer the same dental insurance benefit to lay employees as it offers members of the clergy.
- Your vestry needs to determine which lay employees are scheduled to work at least 1000 hours in 2017 and then contribute to an approved defined benefit pension plan or an approved defined contribution pension plan. When approving the budget, the vestry needs to allot an amount equal to 9% of the salary cost of eligible lay employees for lay pension contributions. The time to implement this policy for school employees is detailed in this brochure.
- Your vestry will need to decide which life and disability insurance plans it wants to pay the premiums on for its ordained and lay employees (realizing that it is already required through the diocesan compensation standards to pay for diocesan-sponsored life insurance for active clergy).

### **Other Costs Associated with Employees**

Even though church employees are working in a religious (versus secular) setting, there are certain costs of employment that are common to all work places. These include:

- **Continuing education:** The diocesan standard is that the vestry needs to include \$2,000 in the congregation's budget in 2017 to cover the cost of continuing education for each member of the clergy. The canons of the church require that they regularly engage in such educational opportunities. This budget item would pay for such things as conference fees and materials for a continuing education event. You also need to determine what is the appropriate amount to allot for continuing education for your lay employees.

- **Business and travel expenses:** Diocesan policy is that travel expenses are paid on a reimbursable basis. Employees, whether lay or members of the clergy, are reimbursed for actual expenses associated with church business. Your vestry needs to put an appropriate amount in its budget to cover the expected expenses of both its clergy and lay employees. As a guide for clergy, use the IRS business mileage rate (54 cents per mile as of October 2016) multiplied by the number of business miles that your member of the clergy is expected to travel, plus a sufficient amount to cover expected, qualified travel/business expense, such as lodging, airfare, business and travel meals, and business use of a cell phone. An amount to consider initially is \$2,000.

Reimburse your lay employees at the IRS business rate as well. If you choose to reimburse volunteers for their mileage, the rate is 14¢ per mile (as of October 2016).