



EPISCOPAL
CHURCH OF NH

**Compensation and Benefits
Manual
for
Clergy and Lay Employees**

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NOTES AND QUESTIONS

1.0 INTRODUCTION

To Parish Administrators, Parish Treasurers, Clergy, Wardens and Vestry Members:

This document provides the information you need to understand the policies and procedures related to employee compensation and benefits in the Episcopal Church of New Hampshire, and your role in administering these programs in your own parish.

Please review it carefully in preparation for both budgeting and for answering questions from your clergy and employees about their pay and benefit programs.

The contents of this document are intended to answer the question of how the people of the Episcopal Church of New Hampshire can be the best stewards of the vine with respect to compensation and benefits.

Compensation and Benefits Philosophy

“We have work to do. We have work to do. And it’s the sweetest work anyone can be called to. We get to tend the Vine that is the mission of God in the world. We get to join the work of God whose delight it is to bring fruitfulness to what God has planted.”

Bishop A. Robert Hirschfeld, Tenth Bishop of New Hampshire

The Episcopal Church of New Hampshire understands that attracting and retaining talented clergy and lay employees is critical to fulfillment of our ministry. We aspire to attain this goal by adhering to certain fundamental principles:

- We recognize and affirm that today’s ministry requires clergy and lay leaders who are adaptive to a changing society.
- We wish to inspire creativity in new models of ministry that include partnerships and strategic alliances.
- We recognize and support the critical leadership role of wardens, vestries, treasurers and administrators to the fulfillment of our mission.
- We intend these policies to ensure equitable compensation practices for clergy and lay employees in congregations across the diocese.
- We utilize all types of compensation to develop a package that fits the individual clergyperson’s needs, considering the impact on the parish budget

In addition to upholding these principles, the Diocese also seeks to be accessible, flexible and dynamic in communicating and maintaining these policies. This document will be updated regularly as relevant information changes. The current form of this document is available on the Diocesan website at <https://www.nhepiscopal.org/clergy-compensation-manual>, including updates made after hard-copy documents are distributed.

Contacts for Compensation and Benefits Questions

If you have questions about the implementation of the policies in this document, please contact one of the following:

- Canon Bengé Ambrogi, bambrogi@nhepiscopal.org
- Canon Gloria Gallant, ggallant@nhepiscopal.org

About These Guidelines

The vestry/bishop's committee needs to give careful consideration to these guidelines when:

- Negotiating a clergy Letter of Agreement
- Calculating a clergy compensation package
- Designating a portion of clergy salary as housing allowance
- Calculating the self-employment tax ("SET") offset
- Completing clergy pay stubs and W-2 form
- Budgeting for clergy cost to congregation
- Budgeting for and hiring lay employees
- Considering a change in hours for clergy or lay employees
- Considering an annual pay increase

There are also implications for clergy taxes. The authoritative source for Episcopal clergy tax information is the Church Pension Group's Tax Guide for Episcopal Ministers, referred to later as CPG Tax Guide. The guide is updated annually, and can be downloaded from the Tax Publications section at www.cpg.org/forms-and-publications.

Letters of agreement are developed in collaboration with diocesan staff and are subject to review particularly when unique housing or equity arrangement are being considered. (A sample Letter of Agreement is included in Appendix 8.)

2.0 CLERGY COMPENSATION PACKAGE

The Clergy Compensation Package comprises the following elements, each of which is described in more detail below. Those items that are asterisked are negotiated with a new clergyperson.

- Salary*
- Self Employment Tax Reimbursement
- Housing*
- Pension
- Health Benefit / Health Care Offset*
- Life and Disability Insurance*
- Sick Time
- Paid Time Off (Vacation, Holidays, Continuing Education)*
- Leaves (different types- including Longer Maternity Leave)
- Jury Duty
- Supplemental Income
- Workers Compensation

This section applies to clergy who work for one or more congregations in the diocese on a regular basis (i.e., not supply). For supply clergy compensation, see Section 4.0.

The Church Pension Group uses different specific definitions for different elements of compensation. These are included in what the Church Pension Fund calls Total Assessable Compensation. See Appendix 9: Church Pension Group Documents.

Clergy Compensation Framework

The framework for the Clergy Compensation Package includes cash compensation and the cost of mandated benefits, i.e., SET offset, pension contribution, health plan premium or health care offset, and life insurance premium. It may also include optional benefits such as contributions to a Retirement Savings Plan (“RSVP”) or dental benefits.

A clergyperson’s compensation package should be commensurate with his/her/their background, experience, responsibility, and capabilities. The Clergy Compensation Package should enable the clergyperson to maintain a moderate standard of living in the community, and be affordable to the parish.

The framework allows flexibility to congregations in determining an appropriate and affordable compensation package. For example, a lower priced health insurance selection may allow the congregation to increase the amount of cash compensation. Likewise, a higher priced health insurance selection may result in a lower salary.

In the framework, clergy compensation ranges are provided for two types of congregations:

Congregation Type	Average Sunday Attendance (ASA)	Parochial Report Line A Income
A Family and Pastoral Size	Fewer than 100	Less than \$200,000
B Transitional, Program and Resource Size	100 or more	\$200,000 or more

The framework will be updated each year. There are several examples below that show how different clergy compensation packages may be determined based on the needs of the congregation and the clergyperson.

Cash Compensation and Housing

The total of cash compensation and housing must be at least the minimum of the range specified in the framework. The salary for part-time positions should be pro-rated based on the scheduled number of hours per week.

Note that although Clergy are considered “exempt” from the overtime requirements of the Fair Labor Standards Act, care must be exercised in preparing a Letter of Agreement (LOA) in which hours of work are discussed.

Using a minimum of 40 hours/week (the usual full-time position in the Episcopal Church of New Hampshire) for purposes of making certain calculations is acceptable. However, clergy are called to perform a function without regard to the number of hours spent “on the job.” A full-time clergyperson can work more or less than 40 hours per week, while a clergyperson called as part-time can work the pro-rated hours defined in their Letter of Agreement, more or less.

Housing

Clergy housing, whether it is provided as church-owned housing or as a designated portion of the clergyperson’s cash compensation, is an important part of the overall clergy compensation package.

Church-Provided Housing

If a rectory/vicarage is provided, the congregation normally pays for the following items, with the approval of the vestry:

- Insurance
- Property taxes (if any)
- Maintenance of building and grounds
- Maintenance and replacement of major appliances
- Shades, blinds, light fixtures, etc.
- Capital improvements

When a rectory is provided, the quality of the housing should be on a par with typical housing in the community in which it is located. It should be faithfully maintained. Every vestry/bishop’s committee must take into account, both in budgeting and providing necessary funds, the standards and timeliness of the actual maintenance and improvement work required.

In most circumstances applicable to clergy serving in congregations, clergy are not required to include the value of church-provided housing in their federal taxable income. However, it must be included in the clergyperson's calculation of self-employment tax ("SET"). For the SET calculation, the clergyperson must use fair market rental value of the housing provided plus actual utilities (if paid by church). If utilities are not paid by the church, the clergyperson is entitled to designate a housing allowance.

The Church Pension Group uses a different approach to calculating the value of church-provided housing when calculating Total Assessable Compensation and pension premium.²

Clergy who live in church-provided housing should have a portion of their compensation designated as housing allowance by resolution of the vestry/bishop's committee, if the clergyperson pays some of the expense of the housing.² The vestry/bishop's committee must make this designation *in advance* of the effective date. See Section 9.0 Appendix 2: Clergy Housing Allowance Resolution.

See the discussion of housing allowance resolutions in the following section for guidelines regarding clergy-provided housing.

¹ Refer to the Church Pension Group Tax Guide for information on Schedule SE. A link to the guide can be found Appendix 9, Church Pension Group Documents.

² Refer to A Guide to Benefits Under the Clergy Pension Plan. A link to the guide can be found Section 9.0 Appendix 9, Church Pension Group Documents.

Clergy-provided Housing

The IRS provides an exclusion for the housing expenses of clergy who provide their own housing for federal income tax purposes (not Self-Employment Tax), so as to be equitable in relation to clergy with church-provided housing. To take advantage of those federal tax benefits, a portion of cash compensation must be designated by the vestry/bishop's committee as "housing allowance." A housing allowance resolution does not apply retroactively so, in order to apply to a full calendar year, it must be enacted no later than December 31st of the previous year. The specific amount designated and recorded in the vestry minutes as housing allowance is of no consequence to the congregation, its budget, or its finances. The housing allowance is simply a designation of a portion of salary to enable the clergyperson to take advantage of the tax benefits mentioned above.

The clergyperson assumes full responsibility for complying with IRS definitions of “cost to provide a house.”

- Under certain circumstances, the clergyperson may request an amendment to the housing allowance during the calendar year in which it is to be taken. Please note that any amendment to housing allowances only operates prospectively, not retroactively.
- Clergy who rent, lease or own their homes may exclude from taxable income (but not from their SET reimbursement) the least of the following three amounts:
 1. The portion of compensation designated by vestry vote as housing allowance; or
 2. The amount actually disbursed in the procurement of housing, including furniture and furnishings, repairs, renovations, et al., whether rented or purchased; or
 3. The fair rental value of the home, including furniture and furnishings plus utilities.

Refer to [A Guide to Benefits Under the Clergy Pension Plan](#) for information about the Church Pension Group’s guidelines in the case of clergy-provided housing. A link to the guide can be found Section 9.0 Appendix 9, Church Pension Group Documents.

Self-Employment Tax (SET) Reimbursement

Although ordained clergy are considered employees for federal income tax purposes, they are considered self-employed for social security purposes. Self-employed persons must file quarterly tax estimates, and clergy are responsible for doing this in a timely manner.

Self-employed persons are required to pay 15.3 percent of their net income from self-employment, and that is called Self-Employment Tax (“SET”). SET is analogous to Social Security and Medicare taxes, but individuals receiving income from self-employment have no employer (other than themselves) to share in the cost of the levy. (For persons regarded as employees by the Social Security Administration, the 15.3 percent is divided equally between employee and employer, each paying 7.65 percent.)

Amounts designated as SET reimbursement do not result in additional SET liability. However, the SET reimbursement dollar is subject to federal income tax.

Clergy Pension

The canons of the Episcopal Church stipulate that Church employers pay pension assessments on compensation paid to bishops and priests by all parishes, missions, and other ecclesiastical organizations or bodies that are subject to the authority of the Episcopal Church.

Participation

An ordained Episcopal cleric must automatically participate in the Clergy Pension Plan if they are compensated, regularly employed, expected to work five or more consecutive months for the same Episcopal employer, and the employer pays Assessment to Church Pension Fund (CPF). If the position is expected to last for less than five months, and has a letter of agreement directing the payment of Assessments by the employer for the services provided, it is optional to participate in the Clergy Pension Plan.

More information about when participation begins and eligibility for benefits at A Guide to Clergy Benefits at Church Pension Fund. Refer to the Church Pension Group Tax Guide. A link to the guide can be found Appendix 9, Church Pension Group Documents.

The pension premium is 18% of the Total Assessable Compensation for active clergy. Church Pension Fund provides active clergy with age-retirement benefits, some disability benefits, a death benefit and life insurance for those working full-time. Refer to the Guide to Benefits Under the Clergy Pension Plan for a definition of Total Assessable Compensation and pension benefits. A link to the guide can be found in Appendix 9, Church Pension Group Documents.

Health Plan

All clergy serving in positions of half-time or greater are eligible for medical insurance for themselves and their families through the Church Medical Trust.

Coverage through the Church Health Plan

Clergy select their health insurance plan from among the diocesan options offered. (Churches may not obtain health plans elsewhere, including healthcare.gov.) Congregations are required to pay a percentage of premium, currently 90% (as determined by Diocesan Convention), of the least expensive plan available among these options for clergy and their families, when the clergy are working in ¾-time (or greater) positions.

For clergy who work between half-time and ¾-time, the congregation's contribution toward the premium is negotiated, and documented in the Letter of Agreement.

Should clergy and/or the congregations choose a higher cost health plan option, the cost differential may be paid for by the congregation, the clergyperson, or shared as mutually agreed.

When Spouse Has Medical Coverage

If a spouse provides medical benefits for the clergy, written documentation of insurance must be provided annually to the diocese. See a sample form in Appendix 6, Documentation of Health Insurance Worksheet.

If medical benefits are provided by a spouse's group health plan, the employee must substantiate that a spouse paid for the group health coverage on an after-tax basis and not through salary reduction under a cafeteria plan.

This rule applies whether or not the employer's payment for such coverage is paid directly to the employee.

See the [2019 Federal Reporting Requirements for Episcopal Churches, Schools and Institutions](#) for more information.

If a clergyperson declines medical benefits, they may receive a health care offset as part of their cash compensation. The amount of this offset is negotiated with the congregation, guided by the framework. This offset provides equity in total compensation between clergy that receive health care benefits from their congregation and those that do

not. If the clergy person's situation changes and they need to receive a health care benefit from the church, the health care offset will be replaced with the health care benefit.

Note that in the framework the health care offset does not equal the amount of the declined health care benefit. Because the health care offset is cash compensation, it must be included in the SET and pension calculations, and those forms of compensation will increase accordingly. The health care offset in the framework is designed to result in an equivalent total compensation whether the clergy person receives health care benefits or does not.

Life and Disability Insurance

Life and disability insurance is provided to all clergy serving half-time or more.

Church Pension Fund makes a life insurance benefit available under the Life Insurance Plan to eligible participants in the Clergy Pension Plan. If an active participant in the Clergy Pension Plan dies, their beneficiary(ies) will receive a life insurance benefit equal to six times the Total Assessable Compensation, up to a maximum of \$150,000.

Employer-provided Group Life Insurance is available to active clergy who are compensated for a minimum of 20 hours in the amount of \$35,000.

Accidental Death & Dismemberment Insurance: Generally, active clergy who are under the age of 70 and enrolled in Group Term Life are eligible. The maximum benefit pays up to the value of the full amount of the Group Term Life Insurance benefit.

An active clergyperson who meets eligibility requirements receives Short-Term Disability Benefits and Long-Term Disability Coverage as a benefit to help maintain income should they become disabled.

This benefit is provided by the Church Pension Fund to help Episcopal Church employees with costs incurred when an active member of the clergy is unable to work because of illness or injury.

For more details, see [A Guide to Benefits Under the Clergy Pension Plan](#). A link to the guide can be found in Appendix 9, Church Pension Group Documents.

Compensation Offer Examples (refer to current Framework)

*Example 1:
Full-time Clergy person
for Type A Congregation*

The Rev. Alice Adams is the rector of St. Agnes Church in Amherst. This parish has an Average Sunday Attendance (ASA) of 75 and a Line A income of \$150,000, making it a Type A congregation. Alice and the vestry together negotiate cash compensation and housing of \$64,000. Because Alice is receiving health care benefits, she does not receive a health care offset.

This means her SET Offset will be $\$64,000 * 7.65\% = \$4,896$. Added together, this is \$68,896.

Alice’s pension premium will be $\$68,896 * 18\% = \$12,401$.

Alice needs family medical coverage. Consulting the annual “Health Benefits Overview” memo, the church’s cost for the monthly premium is \$2,047. Annually, this comes to \$24,564. Note that the church’s cost is 90% of the premium listed in the “Health Benefits Overview.”

The bottom line of total compensation is calculated by adding the Cash Compensation and Housing Total (\$68,896) to the sum of benefits (\$37,192).

Referring to the current year’s Framework, her Cash Compensation and Housing Total is within the low and high numbers. Because of the cost of benefits, her Total Compensation is slightly above the high number for Type A. Both Alice and the vestry agree that this arrangement is fair and equitable.

Example 1	
Cash Compensation and Housing	\$64,000
Health Care Offset	\$0
SET Offset (7.65% of Compensation)	\$4,896
Cash Compensation and Housing Total	\$68,896
Pension (18% of Cash Compensation and Housing)	\$12,401
Health Benefit	\$24,564
Life Insurance	\$227
403b Retirement Plan	\$0
Additional Medical Benefit	\$0
Total Cost to Congregation	\$106,088

*Example 2:
Part-time (3/4 time)
clergy person for Type A
Congregation*

The Rev. Bob Billingsley is the vicar of St. Brigid’s Church in Barnstead. Bob and the Bishop’s Committee have agreed that he will be employed for 3/4 time, or 30 hours per week. They have negotiated cash compensation and housing of \$38,000. Because Bob is receiving health care benefits, he does not receive a health care offset.

This means his SET Offset will be $\$38,000 * 7.65\% = \$2,907$. Added together, this is \$40,907.

Bob’s pension premium will be $\$40,907 * 18\% = \$7,363$.

Bob is single. Consulting the memo “Health Benefits Overview and Enrollment Timeframe,” the church’s cost (90%) for the monthly premium is \$838. Annually, this comes to \$10,056. (At 3/4 time, Bob is entitled to a full health benefit.)

The bottom line of total compensation is calculated by adding the Cash Compensation and Housing Total (\$40,907) to the sum of benefits (\$17,646).

By comparison back to the Framework, his Cash Compensation and Housing Total is roughly 3/4 of the low figure for Type A congregations. Bob and the Bishop’s Committee agree that this arrangement is fair and equitable.

Example 2	
Cash Compensation and Housing	\$38,000
Health Care Offset	\$0
SET Offset (7.65% of Compensation)	\$2,907
Cash Compensation and Housing Total	\$40,907
Pension (18% of Cash Compensation and Housing)	\$7,363
Health Benefit	\$10,056
Life Insurance	\$227
403b Retirement Plan	\$0
Additional Medical Benefit	\$0
Total Cost to Congregation	\$58,553

*Example 3:
Full-time clergy person for
Type B Congregation
without healthcare benefit*

The Rev. Cathy Cornwall is the rector of St. Christopher’s Church in Contoocook. St. Christopher’s has an ASA of 125 and an annual budget of \$250,000, making it a Type B congregation. Cathy’s husband’s employer is providing health care insurance for them and their family. Cathy and the Vestry have negotiated cash compensation and housing of \$90,000 and a health care offset of \$15,151.

This means her SET Offset will be $(\$90,000 + \$15,151) * 7.65\% = \$8,044$. Added together, this is a total cash compensation of \$113,195.

Cathy’s pension premium will be $\$113,195 * 18\% = \$20,375$.

As noted above, Cathy is receiving health care benefits from her spouse, so her only additional benefit is a life insurance policy which costs the congregation \$227 annually.

The bottom line of total compensation is calculated by adding the Cash Compensation Total (\$113,195) to the sum of benefits (\$20,602).

By comparison back to the Framework, her total compensation of \$133,797 is within the range for Type B congregations. Cathy and the Vestry agree that this arrangement is fair and equitable.

Example 3	
Cash Compensation and Housing	\$90,000
Health Care Offset	\$15,151
SET Offset (7.65% of Compensation)	\$8,044
Cash Compensation and Housing Total	\$113,195
Pension (18% of Cash Compensation and Housing)	\$20,375
Health Benefit	\$0
Life Insurance	\$227
403b Retirement Plan	\$0
Additional Medical Benefit	\$0
Total Cost to Congregation	\$133,797

If, in the future, Cathy decided she needed to receive health care benefits from the church, she would no longer receive the health care offset. Her cash compensation could change as well, depending on the cost of the health care benefit she requires. This is to be negotiated with the congregation.

Supplemental Income

The clergy shall not charge fees for performing rites of the Church (examples: baptisms, marriages, funerals) for members in good standing of the congregation. Such honoraria for active and non-active members of the congregation shall go to the rector/vicar discretionary fund.

The clergy may, however, receive income from other sources. These include: sacramental services on behalf of persons not in any way related to the congregation; fees and honoraria for professional services performed on personal time for groups unrelated to the congregation; or for sermons, books or articles published outside the congregation.

All such supplemental income is to be reported on Schedule C of the clergyperson's Federal tax return. Should a clergyperson desire to contribute any such income to the congregation, to the clergy discretionary fund, or to any other charitable organization, he/she/they should accept the personal income, then contribute via personal check, reporting the income on Form 1040, Schedule C, and the charitable deduction on Form 1040, Schedule A.

Sick Time / Disability

Sick leave is to be taken when an individual is legitimately ill and/or in need of medical or dental services; or if necessary, when a member of the individual's immediate family (child, sibling, parent, spouse or partner) is ill or in need.

Sick leave is a benefit, not compensation, and does not accrue or entitle an individual to additional payment, e.g. upon leaving a congregation. Income replacement (short-term disability) insurance for extended incapacitation of up to one year is included within the Church Pension Fund's coverage of all clergy. This coverage begins after a fourteen (14) day elimination period. This elimination period is defined as fourteen (14) calendar days during which the individual is unable to perform (or are limited in performing) the material and substantial duties of the job due to illness or injury.

When disability is long-term (i.e., in excess of 26 weeks), clergy have recourse to the long-term disability provisions available through Church Pension Fund. The 26-week period is the elimination period for a long-term disability and is equal to the maximum short-term disability period.

Weekly Time Off

Clergy are expected to exercise good stewardship in allocating time to the congregation and to personal recreation and refreshment. It is expected that there will be at least one continuous twenty-four hour period solely for the clergy person's personal and/or family use. It is also expected that church officers and vestry/bishop's committee will be mindful of the clergy person's health and welfare, and respect the clergy person's personal time.

Compensatory Time Off

When demands of the clergy person's duties—such as funerals, weddings, crisis care, and holiday services—prevent the clergy person from taking his/her/their scheduled time off, compensatory time off should be arranged as soon as possible to ensure that the clergy person has adequate personal and rest time. A workable arrangement to handle such compensatory time should be established by the clergy person and the vestry/bishop's committee or the wardens.

Holidays and Vacation

Clergy have the following time off at full compensation:

- Ten holidays to be taken so as not to interfere with public worship. These holidays may include: New Years' Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Veterans' Day, Thanksgiving Day, and the days following Thanksgiving and Christmas.
- Four weeks of annual vacation, consisting of the equivalent of four work weeks and five Sundays. Unused vacation time is not carried over to the following year, nor is it compensated at the termination of the clergy person's employment.
- In addition to other holidays and vacation leave, rectors/vicars and vestries/bishop's committees may negotiate for additional leave time for the Sundays following Christmas and Easter.

- For part-time clergy, the number of holidays and vacation days are pro-rated based on the typical weekly schedule (i.e., percentage of time worked).

Continuing Education Leave

Annual time allotted by each congregation to its clergy for continuing education shall not be less than two work weeks, not including Sundays, and expenses shall be a distinct budget line, as outlined in the Letter of Agreement.

The benefit is to be used only for continuing education (and is not to be used in pursuit of any other purpose or as additional cash stipend).

Time not used in one year is not to be carried over; however, money not used in a given year is to be set aside in a special account, and may be used in future years as needed (up to three years), either for continuing education or to help fund the clergy person's Refresher Leave (described later in this section). Any such funds carried forward do not reduce the congregation's obligation to budget the required amount in continuing education funds each and every year.

Clergy Refresher Leave

The diocese supports Clergy Refresher Leaves for study and renewal. A Refresher Leave is time away from work responsibilities to fulfill a specific plan for personal growth, renewal and reflection. A leave is not a vacation, and the program of development should be of value to the congregation as well the clergy person.

Each clergy person must meet with the bishop to discuss his/her/their proposed Refresher Leave. The diocese expects that the clergy person will return to the congregation for a minimum of one year following a Refresher Leave.

A Refresher Leave typically lasts for three months and is granted after the clergy person has served the congregation five years. Full compensation and benefits are continued during the leave. Congregations are advised to plan by setting aside funds annually for this purpose.

Family Medical Leave

Although religious institutions are not required to comply with the Family Medical Leave Act (FMLA), in the spirit of compliance, each eligible clergyperson is entitled to twelve (12) workweeks of unpaid and job-protected leave during a rolling 12-month period measured backward from the first day of the clergy or lay employee's FMLA leave for any one or more of the following reasons:

- The birth of a son or daughter and to care for the newborn child;
- The placement, with clergy or lay employee, of a son or daughter for adoption or foster care and to care for the newly placed child;
- To care for the clergy or lay employee's spouse, son, daughter, or parent with a serious health condition; and
- Because of a serious health condition that makes the clergy or lay employee unable to perform one or more of the essential functions of his/her/their job.

Employee Eligibility

A clergy or lay employee may be eligible for FMLA Leave under this policy only if he/she/they:

- Was employed for at least 12 months, whether or not consecutive;
- Completed at least 1,250 hours of service within the 12-month period preceding the commencement of the leave.

Advance Notice and Application for Leave

- When need for a FMLA leave is foreseeable (i.e., for the birth or placement of a child or the planned medical treatment of a clergy or lay employee or a covered relative), the clergy or lay employee must provide at least 30 days advance notice of his/her/their intent to take a leave of absence under this policy.
- If it is not possible to give 30 days advance notice, the clergy or lay employee must give notice as soon as practicable (i.e., within 1 or 2 business days of learning of the need to take leave). When a clergyperson's or employee's need for leave is foreseeable because of the planned medical treatment of the clergy or lay employee or a covered relative, the clergy or lay employee must make a reasonable effort to schedule the treatment so as not to disrupt unduly the operations of the employer, subject to the approval of the attending health care provider.

Medical Verification

A clergy or lay employee who requests leave under either (a) the serious health condition of a covered relative, or (b) the employee's own serious health condition must provide appropriate medical certification from the attending health care provider. Failure to return the FMLA Medical Certification form in a timely manner may result in a denial of benefits until it is provided.

Return to Work

Following an approved leave, every attempt shall be made to return a clergy or lay employee to the same position he/she/they previously held or to a similar position. Due to necessity, the length of the leave, the type of position, and other factors, this may not be possible.

Use of Paid Leave

FMLA leave is generally unpaid leave. A clergy or lay employee, however, may be eligible for short- or long-term disability payments and/or worker's compensation benefits during a medical/disability leave.

It is expected that clergy or lay employee will use accrued vacation time during an FMLA leave.

Continuation of Benefits While on Leave

During FMLA leave, the clergyperson's or employee's group health coverage will be maintained at the level and under conditions coverage would have been provided absent the leave. If a clergy or lay employee is required to pay part of the premiums, the clergy or lay employee must continue to do so while on FMLA leave.

Bereavement Leave

The purpose of bereavement leave is to enable clergy to take care of matters caused by the death of an immediate family member. The number of bereavement days allowed would be mutually determined by the clergyperson and the vestry. Immediate members include: siblings, children, parents, partner, spouse, and parents-in-law.

Jury Duty

Employees called for jury duty will be excused from work for the purpose of meeting jury duty obligations. Normal pay will be provided during the period of jury duty. On those days when continued presence on the jury is not required, the employee will report to work. While the Diocese supports all people in their civic responsibilities, if in the supervisor's and employee's judgment jury duty will be unduly disruptive to diocesan work or will result in a personal hardship, the employee should seek to determine whether the law will permit the granting of an exemption from jury duty. Any jury duty compensation received by the employee must be returned to the employer.

Military Training and Emergency Duty Leave

Leave will be granted for the purpose of fulfilling annual military training requirements in accordance with the following provisions:

- Full-time employees and part-time employees scheduled to work 20 or more hours per week will be paid the differential, if any, between their normal pay and military pay for a period up to ten days each year. Leave in excess of ten working days or where the military pay exceeds normal pay will be treated as leave without pay.
- Leave for employees scheduled to work fewer than 20 hours per week will be treated as leave without pay.
- Any permanent full-time employee who is a member of the National Guard or Reserves and who is ordered to perform emergency duty under the supervision of the United States Government or the State of New Hampshire shall be granted a leave of absence during the period of such activity.

Workers' Compensation

All employees are fully covered for job-related injuries or illness by the State of New Hampshire's Worker's Compensation Plan. All injuries should be promptly reported to the Wardens and all claims should be filed promptly.

3.0 CLERGY EXPENSES PAID BY EMPLOYER

Out-of-Pocket Work Related Expenses

All clergypersons incur out-of-pocket business expenses during the course of the year for transportation, travel, entertainment, education, books, and similar items. It is appropriate that a congregation reimburse its clergy for expenses incurred on behalf of the parish during the discharge of church responsibilities. This is *not* compensation, but rather part of the cost to the parish for ordained ministry.

There are two ways to handle and report out-of-pocket business expenses:

- Accountable reimbursements or
- Non-accountable reimbursements

Accountable Reimbursement Method

Per IRS guidelines, a reimbursement arrangement is accountable if it meets all four of the following requirements:

1. Expenses must have a **business connection**—that is, the reimbursed expenses must represent expenses incurred by an employee while performing services for the employer.
2. Employees are only reimbursed for expenses for which they provide an **adequate accounting** within a reasonable period of time, defined as “not more than 60 days after an expense is incurred”.
3. Employees must **return any excess reimbursement** or allowance within a reasonable period of time, defined as “not more than 120 days after an excess reimbursement is paid”.
4. The **reimbursement requirement** means that an employer’s reimbursements of an employee’s business expenses come out of the employer’s funds and not by reducing the employee’s salary. That is, expense reimbursement must be a distinct transaction from the payroll process.

When this method is used, none of the expense reimbursements need to be included on the clergyperson's Form W-2 and there is no expense to deduct on the clergyperson's Form 1040, Schedule A.

The Tax Cuts and Jobs Act eliminated a taxpayer's ability to deduct unreimbursed business expenses. Therefore, clergy should ensure that their employer has established an accountable expense reimbursement plan.

Non-Accountable Reimbursement Method

A reimbursement arrangement is non-accountable if it either:

- Requires no substantiation of the actual amount, date, place, and business purpose of each reimbursed expense within a reasonable time; or
- Does not require excess reimbursements to be returned to the parish within a reasonable time.

The most common example of a non-accountable arrangement is a monthly car allowance that requires no substantiation of usage or return of the excess. When this method is used, all reimbursements must be reported as income on Forms W-2 and 1040.

For this reason, a non-accountable reimbursement method is not recommended.

Professional Support and Continuing Education

Professional Support

The congregation is urged to provide a minimum of \$300 annually to assist the clergyperson with books, periodicals, association dues, vestments, the cleaning of vestments, and professional expenses such as the annual Clergy and Spouse/Partner Winter Gathering. An accounting of these funds shall be made to the vestry/bishop's committee.

Continuing Education

The congregation is urged to provide a minimum of \$300 (Type A congregations) or \$500 (Type B congregations) in the annual budget for continuing education of each clergyperson, and to allow up to two weeks' time for professional education purposes.

Clergy may also apply for significant grants from the Grants for the Continuing Education of the Clergy Committee of the Diocese. The Diocese strongly urges all clergy to utilize these financial and time allowances. Links to grant applications can be found on the [Diocesan website](#).

The Diocese further recommends that rectors/vicars and support clergy report to the congregation's annual meeting and the bishop detailing his/her/their continuing education during the previous year.

4.0 SUPPLY CLERGY COMPENSATION

Congregations periodically engage clergy for “supply” work, to perform one or more services on a Sunday, or to perform a weekday service. The following rates shall apply:

For three Sunday or holiday services:	\$275.00
For two Sunday or holiday services:	\$225.00
For one Sunday or holiday service:	\$175.00
For one weekday service:	\$100.00

In addition to the fees suggested, supply clergy should be reimbursed for all related expenses: meals, lodging, and travel at the current IRS mileage rate, which may be found at www.irs.gov (enter “standard mileage rate” in the search box).

Age-retired clergy who earn more than 50% of the median compensation of all active U.S. clergy in a calendar year are subject to an 18% assessment from the employing congregation on any such earnings unless they have an exemption from the Church Pension Fund at the bishop’s request. It is important that clergy in such situations be in touch with the Church Pension Fund to assure that all Pension Fund provisions are taken into account.

There are very specific criteria for working while pensioned for clergy under age 72. Please refer to the Working after Retirement information provided at: <https://www.cpg.org/retired-clergy/retirement/clergy-pension-benefits/the-clergy-pension-plan/working-after-retirement>

5.0 OPTIONAL CLERGY BENEFITS

Housing Equity Allowance

Clergy living in church-provided housing may be at a disadvantage in comparison to clergy who receive a housing allowance and purchase a home. To compensate for the lack of equity interest in property if housing is provided, it is recommended that the congregation and rector/vicar agree on a housing equity allowance at the time the clergyperson's compensation is negotiated.

The housing equity allowance should be considered with the intent that the clergyperson will be able to make a down payment on the purchase of a home upon retirement, as if he/she/they had purchased a home and had been gaining equity during his/her/their years of congregational service. The equity allowance could be in a range between 2% and 6% of cash compensation (i.e., salary plus SET), depending on mortgage interest and property value inflation. Unless the property values inflate very rapidly or very slowly, 4% is a reasonable annual housing equity allowance. Preferably, it should be placed in a tax-sheltered account. A housing equity allowance allocated to a clergyperson who is provided a rectory/vicarage may be considered by the Church Pension Group as part of Total Assessable Compensation.

Retirement Savings Plan

The Episcopal Church Retirement Savings Plan (RSVP) is a 403(b) tax-deferred retirement savings plan that gives clergy who participate in the defined benefit pension plan the option of contributing their own money toward their retirement savings. Under some circumstances, it may be appropriate for the congregation to supplement the Church Pension Fund contributions and benefits.

The Church Pension Group offers several types of retirement savings plans and annuities. The money grows on a tax-deferred basis until the clergyperson elects to start receiving income from it, normally after the age of 59½ and before 70½. More information is available on the Church Pension Group website: <https://www.cpg.org/active-clergy/retirement/investing-for-retirement/retirement-savings-plan-rsvp>

Dental Insurance

The Episcopal Church Medical Trust offers Dental Insurance. More information about the benefits and cost of this insurance is through the Diocesan Office.

Separation Agreements

Separation agreements may be negotiated in particular circumstances, and only in consultation with the bishop. Compensation support and/or health care benefits may be provided for a limited period of time. A separation agreement is not an entitlement to be expected by a clergyperson departing or retiring from congregational service. Vacation and/or refresher leave time does not accrue and is not compensated for at separation.

6.0 COMPENSATION FOR LAY EMPLOYEES

Cash Compensation

Congregations are encouraged to offer competitive wages to lay employees as a means of attracting the best and most capable lay employees. See the current Compensation Framework for compensation ranges for lay employees.

There is nothing to prevent congregations from providing compensation and benefits higher than those mandated, as in some circumstances the minimum requirements may not be adequate. Each congregation is urged to review the guidelines in light of their individual circumstances. FORMA, the American Guild of Organists, the Association of Anglican Musicians, and other organizations serving Lay Professional Ministers of the Episcopal Church may offer recommended guidelines for Lay Professional compensation.

If housing is provided to a lay employee, the fair value of that housing must be added to his/her/their compensation on their Form W-2 at the end of the year.

Congregations and other employers subject to the authority of the Episcopal Church of New Hampshire shall comply with applicable Federal and State employment law, including Federal, State, and Local Minimum Wage and Occupational Health and Safety regulations.

Note that NH law requires employers to inform employees in writing of any change to employees' rate of pay, salary, or employment practices or policies. Refer to the Recordkeeping section of this manual for additional requirements related to compensation.

Social Security and Medicare

The congregation must pay 7.65% of the lay employees' compensation, including housing (if any), for Social Security and Medicare and an equal amount must be withheld from the employee's pay. The congregation must also withhold federal and state income taxes from the lay employees' pay.

Amounts withheld from lay employees' pay for Social Security and Medicare and federal income taxes and the employers' Social Security/Medicare payment for lay employees must be paid to the IRS on a regular basis. The frequency of tax payments to the IRS depends on the size of the employer's payroll.

NOTE: Per the federal Unemployment Insurance Act of 1935, churches and religious organizations are exempt from paying unemployment taxes. Therefore, lay employees are not eligible for unemployment benefits.

Employee Classifications

Exempt and Non-Exempt

Most jobs are now governed by the federal Fair Labor Standards Act (FLSA). All jobs in the Diocese of NH are covered under FLSA. Employees whose jobs are governed by the FLSA are either "exempt" or "non-exempt." Nonexempt employees are entitled to overtime pay. Exempt employees are not. See https://www.dol.gov/whd/overtime/fs17a_overview.pdf

Employees in non-exempt positions (i.e., positions not exempt from the wage and hour guidelines contained in the FLSA) are entitled under the FLSA to time and one-half their "regular rate" of pay for each hour they actually work over 40 hours in a work week.

Employees in exempt positions (i.e. positions exempt from the wage and hour guidelines) are paid a salary based on performing the duties and responsibilities of their position, and not on the basis of hours worked. Exempt employees are not eligible for overtime pay.

Most lay employees in the Episcopal Church of New Hampshire are in non-exempt positions. Therefore, congregations must comply with applicable federal and state laws regarding overtime pay for non-exempt employees.

Full Time and Part Time

Full time employees work between 35 and 40 hours per week (1,820 and 2,080 hours per year) as defined by the employer.

Part time employees working more than 20 hours per week are eligible for some benefits. For details, see Section 7.0, Benefits for Lay Employees.

Non-exempt employees who work more than 40 hours in a work week must be paid at the overtime rate for time exceeding 40 hours.

Required Attendance at Meetings or Workshops

Each congregation shall compensate its lay employees for all required time spent at any meeting, workshop or other function that the lay employee is required to attend; the employee shall be paid for all required time as time worked. All reasonable and necessary costs of attending such meetings, workshops or other functions shall be paid by the congregation.

Non-exempt employees must be paid for travel time according to the federal definition of compensable time (<https://www.dol.gov/whd/regs/compliance/whdfs22.htm>):

Home to Work Travel: An employee who travels from home before the regular workday and returns to his/her/their home at the end of the workday is engaged in ordinary home to work travel, which is not work time.

Home to Work on a Special One-Day Assignment in Another Location: An employee who regularly works at a fixed location is given a special one-day assignment in another city and returns home the same day. The time spent in traveling to and returning from the other location is work time, except that the employer may deduct/not count that time the employee would normally spend commuting to the regular work site.

Travel that is All in a Day's Work: Time spent by an employee in travel as part of their principal activity, such as travel from one church to another church during the workday, is work time and must be counted as hours worked.

Travel Away from Home Community: Travel that keeps an employee away from home overnight is work time when it cuts across the employee's workday. The time is not only hours worked on regular working days during normal working hours but also during

corresponding hours on nonworking days. However, that time spent in travel away from home *outside* of regular working hours as a passenger on an airplane, train, boat, bus, or automobile is *not* considered work time.

Work Week, Pay Period and Pay Date

Each congregation must define its work week for lay employees, i.e., the period of time in which the employee is expected to work his/her/their weekly hours. For example, the work week may be:

- Sunday from 12:01 AM to Saturday at midnight
- Monday from 12:01 AM to Sunday at midnight

The pay period is that amount of time for which an employee is paid. Per New Hampshire law, if the congregation's pay period is one week, employees must be paid within 8 days of the end of the work week. If the congregation pays on a biweekly basis, employees must be paid within 15 days of the end of the pay period.

The New Hampshire Department of Labor may authorize the employer to pay less frequently, not to exceed payment of wages once per month. For more information, see <http://www.gencourt.state.nh.us/rsa/html/XXIII/275/275-43.htm>.

Congregations wishing to request a pay period longer than two weeks should use the form "Request for Payment of Wages Other Than Weekly or Biweekly", found on the NH Department of Labor website at <https://www.nh.gov/labor/documents/non-weekly-payment.pdf>.

Record Keeping

Employers must keep an accurate record of all hours worked by employees and all wages paid. These records must be kept for a minimum of four years.

All employers must ensure that their non-exempt employees keep track of their hours each day. That includes the actual time work started, work ended, and any bonafide meal break or personal break greater than 20 minutes in duration.

Records can be kept in a variety of forms—paper, e-mail, or time cards—as long as they are accurate, and the employee initials any changes to the entries. These records must correspond to payroll/paycheck records.

The State of New Hampshire requires any change in pay to be communicated in writing to the employee. This includes a written notice of the pay rate when the employee is hired, and whenever pay is increased or decreased. The employee must sign to acknowledge receipt of such notification. All deductions must be documented in writing to the employee.

In addition, the congregation must maintain on file a signed copy of the written notice given to each employee regarding their rate of pay, frequency of pay, day and place of payment, and specific method used to determine wages due, as well as any policies regarding fringe benefits (per [NH Administrative Rules 803.03](#)).

Each congregation shall provide each of its lay employees:

- An annual IRS W-2 statement no later than January 31st of the following year;
- Workers' compensation insurance
- Wages no less than required under the Federal Minimum Wage Law.

Job Performance Expectations and Salary Increases

Each congregation within the Diocese of New Hampshire is strongly urged to provide lay employees a written position description outlining the duties and expectations of their job. Employees should be provided with a written letter of employment.

Congregations should provide an annual review of performance to their employees.

Salary increases (or increases in benefits) are appropriate when performance meets or exceeds expectations. When employee performance does not meet expectations, the employee should be given a fair indication of what they need to do to improve their performance to a satisfactory level.

Employment at Will

Lay employees are employed at will, meaning that the employee or the employer may terminate the employment relationship at any time, with or without cause, and without prior notice.

The policies and benefits described in this manual are not intended to provide contractual rights or obligations, or to be construed as a guarantee of employment for any specific period of time.

7.0 BENEFITS FOR LAY EMPLOYEES

Pension Plan

Parishes and other employers under the authority of the canons of the Episcopal Church shall enroll all lay employees scheduled to work 1,000 hours per year (i.e., 20 hours per week, half-time) or more in the Lay Employee Pension Plan of The Church Pension Fund of the Episcopal Church and shall pay all Pension Fund assessments in a timely manner.

Participation in the Lay Employee Pension Plan of The Church Pension Fund was mandated by the 76th General Convention of the Episcopal Church in 2009, Resolution A138, amending Canon I.8.

The Plan includes two programs: a Defined Benefit Plan (traditional pension plan with a formula for future payouts) and a Defined Contribution Plan (a plan which allows contributions of varying amounts without a set formula for what the future payouts will be).

- The Defined Benefit program requires an Employer Contribution of 9% of the employee's compensation.
- The Defined Contribution program requires a base Employer Contribution of 5% of the Employee's compensation. Employees are able to contribute to their account as well in the Defined Contribution program, and the employer is required to match the employee's contribution up to an additional 4% of the employee's compensation. If the employee contributes 4% or more of total compensation to the Pension account, the maximum mandatory Employer contribution is 9%. Note that the RSVP savings plan (see Section 8.0) may be used for the implementation of a Defined Contribution Plan.

Each employing parish or organization determines which one of these two programs to provide for all its employees. More information on these plans is available from the Church Pension Group.

Health Plan

The 77th General Convention reaffirmed that all parishes and missions are to be enrolled in the Episcopal Church Medical Trust and that parity in cost sharing shall be achieved between clergy and lay employees by December 31, 2015.

Coverage through the Church Health Plan

All lay employees scheduled to work 1,500 hours (i.e., 30 hours per week, $\frac{3}{4}$ -time) or more annually must be offered these medical insurance benefits.

The minimum employer medical insurance subsidies for full-time employees are:

- Employees are responsible to pay the difference in cost between the plan they select and the employer subsidy.
- The employer subsidy may be pro-rated for part-time employees, based on the full time subsidies.
- Increasing benefits above the pro-rated amount is at the discretion of the Parish.
- Cost sharing for medical insurance must be the same for all eligible lay and clergy employees per General Convention 2009.

The Diocese of New Hampshire participates in the Denominational Health Plan as adopted by the 76th General Convention of the Episcopal Church. The Denominational Health Plan (DHP) is a churchwide program of healthcare benefit plans authorized by General Convention and administered by the Church Pension Group (CPG) with benefits provided through the Episcopal Church Medical Trust.

All clergy and lay employees who are scheduled to work at least 1,500 compensated hours per year (30 hours per week) are required to participate in The Medical Trust's health plans.

Any employee working between 1,000 (20 hours/week) and 1,499 hours can voluntarily participate in the chosen health plans.

When Spouse Has Medical Coverage

If medical benefits are received through your spouses' group health plan, be sure to substantiate that the spouse paid for the group health coverage on an after-tax basis and not through salary reduction under a cafeteria plan.

This rule applies whether or not the employer's payment for such coverage is paid directly to the employee.

If an eligible employee declines medical benefits, they may receive a health care offset as part of their cash compensation. The amount of this offset is negotiated, guided by the framework. This offset provides equity in total compensation between employees that receive health care benefits from their congregation and those that do not. If the employee's situation changes and they need to receive a health care benefit from the church, the health care offset will be replaced with the health care benefit.

Note that in the framework the health care offset does not equal the amount of the declined health care benefit. Because the health care offset is cash compensation, it must be included in the pension calculation, and that compensation will increase accordingly. The health care offset in the framework is designed to result in an equivalent total compensation whether the employee receives health care benefits or does not.

Life and Disability Insurance

Each congregation shall, on behalf of each of its lay employees, employed at least 20 hours, pay the premiums for a group life insurance policy. The amount of the group life insurance policy is \$35,000.

Holidays and Vacation

Unless otherwise negotiated, each congregation shall provide each of its lay employees a minimum of 10 paid holidays per year. For part time employees, if a holiday falls on a regularly scheduled work day, then they will be paid for the time they would normally be in the office that day. If a holiday falls on a day when they would not normally be in the office, then they will not get paid for that day. For example, assume an employee who normally works 4 hours on Monday and

Tuesday, and 8 hours on Wednesday and Thursday. For the Memorial Day Holiday, which falls on a Monday, they would get paid for 4 hours. For the Thanksgiving holiday, which falls on Thursday and Friday, they would get paid for only 8 hours, because they are not normally in the office on Friday. Paid holidays do not accrue and must be used in the year they are earned.

Unless otherwise negotiated, each congregation shall provide each of its lay employees who has completed one year of continuous service a minimum of 10 paid days (80 hours) of vacation per year. For part time employees, vacation time is pro-rated based on the number of hours they work. For example, if an employee normally works 25 hours per week, they would get a minimum of 50 hours of vacation per year. Vacation time does not accrue and must be used in the year it is earned.

Sick Time / Disability

Sick leave is to be taken when an individual is legitimately ill and/or in need of medical or dental services; or if necessary, when a member of the individual's immediate family (child, sibling, parent, spouse or partner) is ill or in need. Sick leave is provided as a benefit to employees and is not a right.

Sick leave is a benefit, not compensation, and does not accrue or entitle an individual to additional payment, e.g. upon leaving a congregation. Income replacement (short-term disability) insurance for extended incapacitation of up to one year may be included as part of the individual's compensation package if the employee works at least 20 hours per week. <https://www.cpg.org/active-lay-employees/insurance/disability/short-term-disability/eligibility-enrollment/>. This coverage begins after a fourteen (14) day elimination period. This elimination period is defined as fourteen (14) calendar days during which the individual is unable to perform (or are limited in performing) the material and substantial duties of the job due to illness or injury.

For disability which may be long-term (i.e., in excess of 26 weeks), an individual might consider purchasing additional long-term disability insurance. The Church Pension Group has such products available and such products may be made available to the individual as part of his/her/their compensation package. <https://www.cpg.org/active-lay-employees/insurance/disability/long-term-disability/>

The Diocese does not have a policy that specifies a certain number of paid sick leave days. Instead, paid sick leave is granted when medically necessary and is based on the current rate of compensation.

Family Medical Leave

Although religious institutions are not required to comply with the Family Medical Leave Act (FMLA), in the spirit of compliance, each eligible lay employee is entitled to twelve (12) workweeks of unpaid and job-protected leave during a rolling 12-month period measured backward from the first day of the clergy or lay employee's FMLA leave for any one or more of the following reasons:

- The birth of a son or daughter and to care for the newborn child;
- The placement, with clergy or lay employee, of a son or daughter for adoption or foster care and to care for the newly placed child;

- To care for the clergy or lay employee's spouse, son, daughter, or parent with a serious health condition; and
- Because of a serious health condition that makes the clergy or lay employee unable to perform one or more of the essential functions of his/her/their job.

Employee Eligibility

A clergy or lay employee may be eligible for FMLA Leave under this policy only if he/she/they:

- Was employed for at least 12 months, whether or not consecutive;
- Completed at least 1,250 hours of service within the 12-month period preceding the commencement of the leave; and

Advance Notice and Application for Leave

- When need for a FMLA leave is foreseeable (i.e., for the birth or placement of a child or the planned medical treatment of a clergy or lay employee or a covered relative), the clergy or lay employee must provide at least 30 days advance notice of his/her intent to take a leave of absence under this policy.
- If it is not possible to give 30 days advance notice, the clergy or lay employee must give notice as soon as practicable (i.e., within 1 or 2 business days of learning of the need to take leave). When a clergyperson's or employee's need for leave is foreseeable because of the planned medical treatment of the clergy or lay employee or a covered relative, the clergy or lay employee must make a reasonable effort to schedule the treatment so as not to disrupt unduly the operations of the employer, subject to the approval of the attending health care provider.

Medical Verification

A clergy or lay employee who requests leave under either (a) the serious health condition of a covered relative, or (b) the employee's own serious health condition must provide appropriate medical certification from the attending health care provider. Failure to return the FMLA Medical Certification form in a timely manner may result in a denial of benefits until it is provided.

Return to Work

Following an approved leave, every attempt shall be made to return a clergy or lay employee to the same position he/she/they previously held or to a similar position. Due to necessity, the length of the leave, the type of position, and other factors, this may not be possible.

Use of Paid Leave

FMLA leave is generally unpaid leave. A clergy or lay employee, however, may be eligible for short- or long-term disability payments and/or worker's compensation benefits during a medical/disability leave.

It is expected that clergy or lay employee will use accrued vacation time during an FMLA leave.

Continuation of Benefits While on Leave

During FMLA leave, the clergyperson's or employee's group health coverage will be maintained at the level and under conditions coverage would have been provided absent the leave. If a clergy or lay employee is required to pay part of the premiums, the clergy or lay employee must continue to do so while on FMLA leave.

Bereavement Leave

The purpose of bereavement leave is to enable employees to take care of matters caused by the death of an immediate family member. The number of bereavement days allowed would be mutually determined by the employee and the supervising clergyperson. Immediate members include: siblings, children, parents, partner, spouse, and parents-in-law.

Jury Duty

Employees called for jury duty will be excused from work for the purpose of meeting jury duty obligations. Normal pay will be provided during the period of jury duty. On those days when continued presence on the jury is not required, the employee will report to work. While the Diocese supports all people in their civic responsibilities, if in the supervisor's and employee's judgment, jury duty will be unduly disruptive to diocesan work or will result in a personal hardship, the employee should seek to determine whether the law will permit the granting of an exemption from jury duty. Any jury duty compensation received by the employee must be returned to the employer.

Military Training and Emergency Duty Leave

Leave will be granted for the purpose of fulfilling annual military training requirements in accordance with the following provisions:

- Full-time employees and part-time employees scheduled to work 20 or more hours per week will be paid the differential, if any, between their normal pay and military pay for a period up to ten days each year. Leave in excess of ten working days or where the military pay exceeds normal pay will be treated as leave without pay.
- Leave for employees scheduled to work fewer than 20 hours per week will be treated as leave without pay.
- Any permanent full-time employee who is a member of the National Guard or Reserves and who is ordered to perform emergency duty under the supervision of the United States Government or the State of New Hampshire shall be granted a leave of absence during the period of such activity.

Workers Compensation

All employees are fully covered for job-related injuries or illness by worker's compensation insurance. All injuries should be promptly brought to the attention of the rector/vicar or wardens, and all claims should be filed promptly.

Expense Reimbursement

Lay employees are commonly reimbursed for certain expenses they incur in the course of performing their duties. The kinds of expenses that are commonly paid are travel, meals, lodging, meeting registrations and continuing education. There are tax considerations for the person who is paid such amounts. Some common items are discussed below.

Allowances or Reimbursements

Payments of “business” expenses are included in a lay employee’s taxable income (on their W-2 form) unless the payments are through an “accountable” reimbursement plan. An accountable plan is one that:

1. Reimburses only those expenses that are substantiated, within 60 days of the expenses, as to the amount, date, place and business purpose of the expenses, and
2. Requires any excess reimbursements (reimbursements exceeding substantiated expenses) to be returned within 120 days.

Automobile Expenses

Automobile expenses should be paid based on a standard mileage rate. If mileage is paid at a rate greater than the rate set by the IRS, the excess amount is considered to be taxable income and must be added to the lay employees’ W-2 form.

Mileage paid for commuting to the person’s regular place of work is not to be reimbursed or must also be added to the W-2 form. The maximum reimbursable mileage rate is set each year by the Internal Revenue Service, and can be found at <https://www.irs.gov/credits-deductions/individuals/standard-mileage-rates-glance>

8.0 OPTIONAL BENEFITS FOR LAY EMPLOYEES

Retirement Savings Plan

The Episcopal Church Retirement Savings Plan (RSVP) is a 403(b) tax-deferred retirement savings plan that gives lay employees who participate in the defined benefit pension plan the option of contributing their own money toward their retirement savings. Under some circumstances, it may be appropriate for the congregation to supplement the Church Pension Fund contributions and benefits. The RSVP Plan may also be used to implement a defined contribution plan as discussed in Section 7.0, page 1.

The Church Pension Group offers several types of retirement savings plans and annuities. The money grows on a tax- deferred basis until the beneficiary elects to start receiving income from it, normally after the age of 59½ and before 70½. More information is available on the Church Pension Group website: <https://www.cpg.org/active-clergy/retirement/investing-for-retirement/retirement-savings-plan-rsvp/>

Dental Insurance

The Episcopal Church Medical Trust offers Dental Insurance. More information about the benefits and cost of this insurance is through the Diocesan Office.

Other Benefits

Additional benefit products for lay employees are available through the Church Pension Group, including life and disability insurance. For more information, contact CPG Client Services at (866) 802-6333 or consult the CPG website at <https://www.cpg.org/active-lay-employees/insurance/>.

9.0 Frequently Asked Questions

To be added

10.0 APPENDIX

This appendix includes the following for reference:

1. Clergy Cost to Congregation Worksheet
2. Clergy Cost to Congregation with Housing Allowance Worksheet
3. Clergy Cost to Congregation with Church-Provided Housing Worksheet
4. Clergy Housing Allowance Resolution Worksheet
5. Employee's Monthly Expense Report Worksheet
6. Documentation of Health Insurance Worksheet
7. Sample Form W-2 with Instructions go to: www.irs.gov/forms-pubs/about-form-w-2
8. Sample Letter of Agreement between Clergy and Congregation
9. Church Pension Group Documents
10. New Hampshire Canon on Clergy Compensation
11. Frequency of Wage Payments per New Hampshire Law

1 - Clergy Cost to Congregation Worksheet

Worksheet Clergy Cost to Congregation

Purposes:

1. To determine Total Clergy Compensation (TCC)
2. To estimate Total Clergy Cost to Congregation for parish's annual budget.

This form must be completed and submitted to the Diocese with the Annual Parochial Report.

Clergy person _____ Congregation _____ Date _____
 Percentage of time for which clergy person is to be compensated: _____
 Person completing this worksheet _____
 Phone _____ Email _____

I. Clergy Compensation	<u>2015</u>	<u>2016</u>
A. Cash Salary <i>(Excluding housing allowance, equity allowance, and SET offset)</i>	_____	_____
B. Housing <i>(if clergy-provided)</i> :		
Housing Allowance	_____	_____
C. Housing <i>(if church-provided)</i> :		
a) Fair Rental Value	_____	_____
b) Utilities paid by congregation	_____	_____
c) Equity Allowance <i>(if provided)</i>	_____	_____
d) Housing Allowance <i>(if provided)</i>	_____	_____
D. Travel compensation if a flat amount <i>(not recommended – see Expenses, I. above)</i>	_____	_____
E. Sub-total	_____	_____
F. SET <i>offset</i> (7.65% of line E)	_____	_____
Total Clergy Compensation (TCC)	_____	_____

II. Required Benefits		
A.	Pension Premium (<i>as billed by CPF</i> ¹)	_____
B.	Health Insurance Premium	_____
C.	Additional Life Insurance ²	_____
	Sub-total	_____
III. Optional Benefits		
A.	Retirement Savings Plan	_____
B.	Deferred Income Annuity	_____
C.	Dental Insurance	_____
	Sub-total	_____
	Total Benefits (Required + Optional)	_____
IV. Expenses		
A.	Out-of-Pocket Business Expense <i>(including auto reimbursement at IRS Rate)</i>	_____
B.	Professional Support	_____
C.	Continuing Education	_____
D.	Refresher Leave Fund (Sabbatical)	_____
	Total Expenses	_____
V. Adjustments to Housing Expenses for church-provided housing		
A.	Subtract I.C.(a) - Fair Rental Value	(_____) (_____)
B.	Add actual or projected costs of housing provided, e.g.	
	Mortgage OR	_____
	Rent	_____
	Property insurance	_____
	Property taxes OR	_____
	Payments in lieu of taxes	_____
	Utilities/services not included at I.C.(b)	_____
	Maintenance, repairs, improvements	_____
	Total Adjustments to Housing Expenses	_____
	Total Clergy Cost to Congregation (<i>sum of I. thru V.</i>)	_____

¹ CPF's annual pension premium is 18% of TCC, but CPF values housing in a different way than Section I above, and, therefore, may use a different value for TCC in its pension calculations.

² In addition to the life insurance provided by CPF, the Diocese of New Hampshire requires an additional \$35,000 group term life insurance benefit for all parochial clergy.

2 - Example: Clergy Cost to Congregation with Housing Allowance Worksheet

Sample Form

Worksheet 1

Clergy Cost to Congregation for Clergy with Housing Allowance

Clergy person Robert S. Smith Congregation St. Swithin's Date 11/30/2016
 Percentage of time for which clergy person is to be compensated: 100%
 Person completing this worksheet Robert S. Smith
 Phone 603-555-0000 Email robert.s.smith@episcopal.com

I. Clergy Compensation	<u>2015</u>	<u>2016</u>
A. Cash Compensation <i>(Excluding housing allowance, equity allowance, and SET offset)</i>	<u>\$35,000</u>	<u>\$36,050</u>
B. Housing <i>(if clergy-provided)</i> :		
Housing Allowance	<u>\$15,000</u>	<u>\$15,450</u>
C. Housing <i>(if church-provided)</i> :		
a) Fair Rental Value	_____	_____
b) Utilities paid by congregation	_____	_____
c) Equity Allowance <i>(if provided)</i>	_____	_____
d) Housing Allowance <i>(if provided)</i>	_____	_____
D. Travel compensation if a flat amount <i>(not recommended – see EXPENSES, I. above)</i>	_____	_____
E. Sub-total	<u>\$50,000</u>	<u>\$51,500</u>
F. SET offset (7.65% of line E)	<u>\$ 3,825</u>	<u>\$ 3,940</u>
Total Clergy Compensation (TCC)	<u>\$53,825</u>	<u>\$55,440</u>
II. Required Benefits		
A. Pension Premium <i>(as billed by CPF¹)</i>	<u>\$ 9,688</u>	<u>\$ 9,979</u>
B. Health Insurance Premium	<u>\$11,585</u>	<u>\$12,500</u>
C. Additional Life Insurance ²	<u>\$ 227</u>	<u>\$ 240</u>
Sub-Total	<u>\$21,500</u>	<u>\$22,719</u>

¹ CPF's annual pension premium is 18% of TCC, but CPF values housing in a different way than Section I above, and, therefore, may use a different value for TCC in its pension calculations.

² In addition to the life insurance provided by CPF, the Diocese of New Hampshire requires an additional \$35,000 group term life insurance benefit for all active clergy.

Sample Form (continued)

III. Optional Benefits

A. Retirement Savings Plan	_____	_____
B. Deferred Income Annuity	_____	_____
C. Dental Insurance	_____	_____
Sub-Total	_____	_____
Total Benefits (Required + Optional)	<u>\$21,500</u>	<u>\$22,719</u>

IV. Expenses

A. Out-of-Pocket Business Expense <i>(Including auto reimbursement at IRS Rate)</i>	<u>\$ 2,400</u>	<u>\$ 2,500</u>
B. Professional Support	<u>\$ 300</u>	<u>\$ 300</u>
C. Continuing Education	<u>\$ 500</u>	<u>\$ 500</u>
D. Refresher Leave Fund (Sabbatical)	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Total Expenses	<u>\$ 4,200</u>	<u>\$ 4,300</u>

V. Adjustments to Housing Expenses for church-provided housing

A. Subtract I.C.(a) - Fair Rental Value	(_____)	(_____)
B. Add actual or projected costs of housing provided, e.g.		
Mortgage or Rent	_____	_____
Property insurance	_____	_____
Property taxes OR	_____	_____
Payments in lieu of taxes	_____	_____
Utilities/services not included in I.C.(b)	_____	_____
Maintenance, repairs, improvements	_____	_____
Total Adjustments to Housing Expenses	_____	_____
Total Clergy Cost to Congregation (sum of I. thru V.)	<u>\$79,525</u>	<u>\$82,459</u>

3 - Example: Clergy Cost to Congregation with Church-Provided Housing Worksheet

Sample Form

Worksheet 1

Clergy Cost to Congregation for Clergy with Church-Provided Housing

Clergy person Robert S. Smith Congregation St. Swithin's Date 11/30/2016
 Percentage of time for which clergy person is to be compensated: 100%
 Person completing this worksheet Robert S. Smith
 Phone 603-555-0000 Email robert.s.smith@episcopal.com

	<u>2015</u>	<u>2016</u>
I. Clergy Compensation		
A. Cash Compensation <i>(Excluding housing allowance, equity allowance, and SET offset)</i>	<u>\$35,000</u>	<u>\$36,050</u>
B. Housing <i>(if clergy-provided)</i> :		
Housing Allowance	_____	_____
C. Housing <i>(if church-provided)</i> :		
a) Fair Rental Value	<u>\$12,075</u>	<u>\$12,440</u>
b) Utilities paid by congregation	<u>\$ 2,925</u>	<u>\$ 3,010</u>
c) Equity Allowance <i>(if provided)</i>	_____	_____
d) Housing Allowance <i>(if provided)</i>	_____	_____
D. Travel compensation if a flat amount <i>(not recommended – see EXPENSES, .I. above)</i>	_____	_____
E. Sub-total	<u>\$50,000</u>	<u>\$51,500</u>
F. SET offset (7.65% of line E)	<u>\$ 3,825</u>	<u>\$ 3,940</u>
Total Clergy Compensation (TCC)	<u>\$53,825</u>	<u>\$55,440</u>
II. Required Benefits		
A. Pension Premium <i>(as billed by CPF¹)</i>	<u>\$ 9,688</u>	<u>\$ 9,979</u>
B. Health Insurance Premium	<u>\$11,585</u>	<u>\$12,500</u>
C. Additional Life Insurance ²	<u>\$ 227</u>	<u>\$ 240</u>
Sub-Total	_____	_____

¹ CPF's annual pension premium is 18% of TCC, but CPF values housing in a different way than Section I above, and, therefore, may use a different value for TCC in its pension calculations.

² In addition to the life insurance provided by CPF, the Diocese of New Hampshire requires an additional \$35,000 group term life insurance benefit for all parochial clergy.

Sample Form (continued)

III. Optional Benefits		
A.	Retirement Savings Plan	_____
B.	Deferred Income Annuity	_____
C.	Dental Insurance	_____
	Sub-Total	_____
Total Benefits (Required + Optional)		<u>\$21,500</u> <u>\$22,719</u>
IV. Expenses		
A.	Out-of-Pocket Business Expense <i>(Including auto reimbursement at IRS Rate)</i>	<u>\$ 2,400</u> <u>\$ 2,500</u>
B.	Professional Support	<u>\$ 300</u> <u>\$ 300</u>
C.	Continuing Education	<u>\$ 500</u> <u>\$ 500</u>
D.	Refresher Leave Fund (Sabbatical)	<u>\$ 1,000</u> <u>\$ 1,000</u>
Total Expenses		<u>\$ 4,200</u> <u>\$ 4,300</u>
V. Adjustments to Housing Expenses for church-provided housing		
A.	Subtract I.C.(a) - Fair Rental Value	<u>(\$12,075)</u> <u>(\$12,440)</u>
B.	Add actual or projected costs of housing provided, e.g.	
	Mortgage OR	_____
	Rent	_____
	Property insurance	<u>\$ 560</u> <u>\$ 625</u>
	Property taxes OR	_____
	Payments in lieu of taxes	_____
	Utilities/services not included in I.C.(b)	<u>\$ 450</u> <u>\$ 500</u>
	Maintenance, repairs, improvements	<u>\$ 700</u> <u>\$ 750</u>
Total Adjustments to Housing Expenses		<u>(\$10,365)</u> <u>(\$10,565)</u>
Total Clergy Cost to Congregation <i>(sum of I. thru V.)</i>		<u>\$69,160</u> <u>\$71,894</u>

4 - Clergy Housing Allowance Resolution Worksheet

Worksheet

Clergy Housing Allowance Resolution

The following is suggested wording for the vestry/bishop's committee minutes to designate the annual clergy housing allowance.

WHEREAS, ministers who own their home do not pay federal income taxes on the amount of compensation their employing church designates in advance as a housing allowance, to the extent that the allowance represents compensation for ministerial services, is used to pay housing expenses, and does not exceed the fair rental value of the home (furnished, plus utilities); and

WHEREAS, the Reverend _____, is compensated by _____ Church of _____, New Hampshire exclusively for services as a minister of the gospel; and

Insert one of the appropriate clause(s) shown in brackets:

[WHEREAS, _____ Church does not provide the Reverend _____ with housing;]

[WHEREAS, in consideration of his/her services as _____, _____ Church provides the Reverend _____ with rent-free housing, located at _____, _____, New Hampshire NH; and

WHEREAS, the Fair Rental Value of this property was determined to be \$ _____ as of _____, 20__;]

BE IT RESOLVED that the total clergy compensation paid to the Reverend _____ for the calendar year 20__ shall be \$ _____, of which \$ _____ is hereby designated to be a housing allowance; and

BE IT FURTHER RESOLVED that the designation of \$ _____ as a housing allowance shall apply to calendar year 20__ and all future years unless otherwise provided.

RESOLVED this ____ day of _____, 20__.

5 - Employee's Monthly Expense Report Worksheet

Worksheet

Employee's Monthly Expense Report

Employee's Name _____ Date _____

I. Business Mileage & Transportation Expense *(does NOT include travel between home and the church)*

a) Personal auto business miles at current IRS reimbursement rate of _____ per mile \$ _____

b) Parking fees, tolls, local fares \$ _____

Total Business Mileage and Transportation Expense \$ _____

II. Travel Expense *(away from home 50 miles and overnight)*

a) Fares (air, train, bus) \$ _____

b) Lodging \$ _____

c) Meals \$ _____

d) Postage \$ _____

e) Dry Cleaning and Laundry \$ _____

Total Travel Expense \$ _____

III. Professional Expenses

a) Continuing education, seminar, conference fees \$ _____

b) Books and publications \$ _____

c) Dues \$ _____

d) Supplies \$ _____

e) Business meals \$ _____

f) Business telephone \$ _____

g) Equipment maintenance \$ _____

h) Vestment cleaning and repair \$ _____

i) Miscellaneous \$ _____

Total Professional Expenses \$ _____

Total Monthly Expenses *(sum of Sections I-III)* \$ _____

*Receipts for expenses of \$75 or more MUST be accompanied by a receipt.
Receipts for expenses less than \$75 are requested.*

I certify that the expenses reported above are business expenses directly attributable to my ministry).

Signature _____

6 - Documentation of Health Insurance Worksheet

Worksheet

Documentation of Health Insurance Provided Outside the Diocesan Plan

In the Diocese of New Hampshire, it is the congregation's responsibility to provide health insurance for their clergy person(s) and his/her eligible family members. The only exception is when a clergy person is eligible to receive health insurance through a spouse/partner or retirement program.

Proof of this coverage is required to be obtained from the clergy person annually. Following is a suggested form for documenting proof of coverage.

In compliance with Diocesan Plan requirements, attached is a copy of my Health Insurance Card evidencing coverage outside the plan for the year 20___. The coverage is provided through my spouse/partner/retirement program (circle one).

[Insert copy of insurance card]

The following eligible family members are also covered by this plan:

Signature

8 – Sample Letter of Agreement

LETTER OF AGREEMENT

Between
The Wardens and Vestry of

_____ and

_____ who has been approved by the Vestry and authorized as Rector (full-time) by the Bishop of New Hampshire, with the understanding that this tenure is to continue until dissolved by mutual consent or by arbitration and decision as provided by the Canons of the Diocese of New Hampshire and Title III, Canon 9, Section 13 of the Episcopal Church of the United States of America Canons – 2012.

PREAMBLE

The Rector shall lead _____ as pastor, priest and teacher, sharing in the councils of this congregation and of the whole church, in communion with our Bishop. By word and action, informed at all times by the Holy Scriptures, the Book of Common Prayer, and the Constitution and Canons of the General Convention and of our Diocese, the Rector shall proclaim the Gospel, love and serve Christ’s people, nourish them, and strengthen them to glorify God in this life and in the life to come.

The particulars of this Letter of Agreement cover the period of ministry from

_____ to
_____.

Section A – COMPENSATION

The Rector’s cash compensation will be \$ _____. The parties agree that the Rector’s Total Clergy Compensation (TCC) will equal \$ _____ including SET (7.65% of salary base = \$ _____). Please note: TCC = cash compensation + ½ Self Employment Tax (SET). The Rector’s TCC shall be adjusted annually in accordance with Salary Recommendations provided by the Diocese and annual Vestry reviews.

_____ does not have a rectory and does not provide housing in-kind. The Vestry agrees to adopt annually, if requested by the Rector, the necessary resolution required by the Internal Revenue Service designating that portion of the TCC shown as a housing allowance within the meaning of Section 1.107 of the IRS Code.

Section B - BENEFITS

The Vestry will pay the following:

- Church Pension Fund payments in compliance with the requirements of the Diocese of New Hampshire and the Episcopal Church Pension Fund. The assessment will be at the stipulated percentage of the Rector’s TCC, currently 18%.
 - Group Life Insurance payments in compliance with the requirements of the Diocese of New Hampshire and Church Insurance Corporation. The premium is currently \$18.90 / month.
 - Medical Insurance payments in compliance with the requirements of the Diocese of New Hampshire and the Church Medical Trust. _____ will pay 90% of Health Insurance premiums for the Anthem BCBS single person plans—BlueCard PPO 80 through February and MPS PPO 80 thereafter.
 - _____ will pay 90% of Dental Insurance premiums through the Church Medical Trust for the Cigna Preventive Dental single person plan.
 - Workers’ Compensation Insurance payments in compliance with NH State Law.
- Please refer to The Compensation and Benefits Manual for Clergy and Lay Employees (adopted at Diocesan Convention 11-04-2017) for additional information about Clergy Benefits.

Section C - EXPENSES

The Vestry will pay the following expenses actually incurred by the Rector in fulfilling his/her/their professional duties:

- Relocation (if applicable): All reasonable and documented moving and travel expenses. The Rector will obtain a minimum of two moving estimates. The Rector and Vestry will mutually agree upon the moving contractor.
- Travel expenses: The Vestry agrees to provide the Rector with mileage reimbursement at the published IRS Standard Mileage Rate. This rate will adjust annually according to current year’s published IRS rate. Additional out-of-pocket costs of parking fees, tolls, bus fares, etc. will also be reimbursed.
- The normal expenses of the Church’s office operation: such as telephone, postage, office equipment, supplies, etc.
- Cell phone reimbursement: partial reimbursement of up to \$50 / month. This telephone number shall be published to insure the Rector’s ready accessibility in case of emergencies.
- Professional Support: The Rector shall be reimbursed for expenses including, but not limited to, the cost of books, periodicals, association dues, annual diocesan clergy gatherings and other professional expenses up to an amount not to exceed \$300.00 / year.
- Continuing Education: The Rector shall be reimbursed for expenses reasonably incurred to support his/her/their continuing education up to an amount not to exceed \$300.00 / year. The Rector is expected to make an annual report to the Vestry, congregation and Bishop on his/her/their continuing education work.

- Supply Clergy: The cost of supply clergy and pastoral services when the Rector is absent from the congregation is established in the annual budget. The Rector shall be responsible for the cost of supply clergy if the Rector is absent from the congregation for more than the time allotted for leave in Section D – LEAVE TIME for reasons other than illness or church-related duties or appointments.

Section D - LEAVE TIME

The Vestry agrees that the Rector shall have the following periods of leave at full pay:

- Four weeks vacation per year, including five Sundays, plus the Sundays after Christmas and Easter. The Rector shall work with the Wardens in providing notice for which Sundays the Rector shall be away so that clergy coverage can be arranged or services led by parishioners without clergy arranged.
- Two weeks per year, in addition to vacation leave time, for continuing education and career development.
- Paid Clergy Refresher Leave in accordance with the guidelines of the Diocese. It is expected that clergy of the Diocese will take a Clergy Refresher Leave of three months each 5-7 years of continuous service to the congregation.
- The Rector is expected and encouraged to participate in convocation, diocesan and wider church responsibilities as well as community endeavors. Time given to such work shall be understood as an integral part of the Rector’s ministry in the parish and not leave time.
- All other leaves, including maternity/paternity leave, bereavement leave, and jury duty, as outlined in the Compensation and Benefits Manual for Clergy and Lay Employees (adopted at Diocesan Convention 11-04-2017).

Section E - SUPPLEMENTARY COMPENSATION

- Honoraria received at the time of funerals of non-members of the congregation shall go to the Rector.
- Honoraria at the time of sacramental service for active and non-active members of the congregation shall go to the Rector’s Discretionary Fund.
- No fees will be accepted for counseling services provided by the Rector to members of _____. The Rector shall refer parishioners to other professionals after three counseling sessions.
- It is expected that fees and honoraria for professional services performed on the Rector’s personal time for individuals or groups unrelated to _____, or for sermons, books or articles published outside of the congregation will become part of the Rector’s private income.

Section F - USE OF BUILDINGS

In addition to the use and control of the church and congregation buildings for the discharge of duties of the Rector's office as provided by Title III, Canon 9, Section 5(a)(2) of the Episcopal Church of the United States of America Canons – 2012, the Rector shall have the right to grant use of the buildings to individuals or groups from outside the congregation, following guidelines approved by both the Rector and the Vestry.

Section G - DISCRETIONARY FUND

A Discretionary Fund is established under the Rector's sole control according to Title III, Canon 9, Section 5(b)(6), of the Episcopal Church of the United States of America Canons – 2012.

At _____, the Rector's Discretionary Fund is funded by Honoraria paid pursuant to Section E (2) above, such periodic loose plate offerings as Vestry shall designate, and any individual contributions made specifically for Discretionary Fund purposes. The undersigned agree to discuss the issue of discretionary funding and disbursements at Vestry meetings during the term of this agreement.

Section H - RESPONSIBILITIES

Responsibilities of the Rector:

1. The Vestry understands the Rector's duties and priorities for the work of ordained ministry to be:
 - a. The conduct of Worship and Rites of the Church as outlined for worship in Title III, Canon 9, Section 5, and for music in Title II, Canon 5 of the Episcopal Church of the United States of America Canons–2012, and effective preaching of the Word of God.
 - b. The pastoral care of the congregation, including short-term pastoral counseling, calling, and visiting.
 - c. The chairing of Vestry meetings and participation in committee meetings of the congregation.
 - d. The management of the administrative work of the congregation and staff.
 - e. The Christian education of all persons including their understanding of stewardship responsibilities as outlined in Title III, Canon 9, Section 5(b)(1) through (4) of the Episcopal Church of the United States of America Canons – 2012.
 - f. Service to the greater church and community especially through work with and on behalf of the diocese and the wider church.
 - g. Regular contact with all members of the congregation in the ordination process.
2. The Rector is to set a Christian example in prayer, study, family and personal life. In any case, the congregation will treat the Rector with the same sense of forgiveness, reconciliation and understanding that is afforded any Christian.

3. The Rector, in consultation with the Vestry, will have the final say in the hiring/dismissal of all staff, professional, compensated and volunteer.

Responsibilities of the Vestry:

1. The Vestry and Rector agree to review the ministry of the congregation and this Letter of Agreement by _____, 20__ . If there is mutual agreement between the Vestry and Rector, the Letter of Agreement may be extended on a yearly basis.
2. The Vestry’s responsibilities to the Rector are:
 - a. The Vestry is to support the Rector by understanding and supporting mutually agreed upon duties and objectives of and for the congregation, and by helping to interpret the same to the congregation.
 - b. The Vestry is to be responsive to input and suggestions from the congregation.
 - c. The Vestry is to retreat annually with the Rector for the purpose of prayer, planning and review.
 - d. Vestry members are expected to attend Vestry meetings in accordance with parish by-laws and act in accordance with Title I, Canon 14, Sections 1 and 2 of the Episcopal Church of the United States of America Canons – 2012 and with the canons of the Diocese of New Hampshire.
 - e. The Vestry members will serve on other committees of the parish in support of the mutual ministry of the congregation.
 - f. The Vestry is to enter wholeheartedly into the work of the congregation and to set an example in attendance, and in the giving of time, talent and treasure.

Section I - MUTUAL MINISTRY REVIEW

The Rector and Vestry will review the ministry of the congregation about one year from the Rector’s assumption of his/her/their duties on the basis of goals and expectations set at the time of the call of the new Rector. This will be facilitated by the Canon for Transition & Community Engagement or another representative from the Bishop’s Office. Subsequently, Mutual Ministry Reviews will be scheduled at least every three years. These reviews will cover the following:

- What are the mission and goals of the parish as presently understood?
- What are the roles and tasks of the parish leaders (Rector, Vestry members, and others) in accomplishing the goals?
- How well have the previously set goals been met?
- What goals and expectations will be set for the next period in the life of the congregation?

The purpose of these reviews is to:

1. Isolate areas of conflict or disappointment, which have not received adequate attention and may be adversely affecting the mutual ministry.
2. Clarify expectations of all parties to help put any future conflicts into manageable form.

Section J - REVISION

Total Clergy Compensation (TCC) Benefits and Expenses:

The Rector’s TCC, benefits and expenses will be reviewed for adjustment and/or merit increase by the Vestry annually. See attached Compensation Framework.

Letter of Agreement:

The Letter of Agreement will be reviewed annually and revised with the mutual consent of the Rector and the Vestry with an update sent to the bishop for review and approval on or before March 1 of each year.

Section K - STATEMENT OF NON-DISCRIMINATION

In accordance the policies of the Diocese of New Hampshire and the Episcopal Church of the United States of America, the congregation will not discriminate on the grounds of age, race, color, national origin, gender, sexual orientation, marital status, or disability.

Section L - OTHER AGREEMENTS

1. The Rector will participate fully in the two-year clergy “Fresh Start” program of the Diocese of New Hampshire.
2. This Letter of Agreement shall be made part of the minutes of the Vestry meeting following its signing. A copy will be available in the church office for review by members of the congregation upon request.
3. If the Rector and the Vestry are in disagreement concerning interpretation of this Letter of Agreement, either party may appeal for mediation to the Bishop or his designee, the Bishop remaining the final arbiter.

_____ Date
 The Rev _____, Rector

_____ Date
 _____, Warden

_____ Date
 _____, Warden

_____ Date
_____, Clerk

_____ Date
_____, Treasurer

Approved by: _____ Date

The Rt. Rev. A. Robert Hirschfeld,
Bishop of New Hampshire

9 - Church Pension Group Documents

The following documents are available from CPG. For more details, contact Church Pension Group Client Services at 866-802-6333 and request a current copy, or downloaded from the Forms and Publications section of the website at www.cpg.org/forms-and-publications.

Tax Guide for Episcopal Ministers

This guide helps clergypersons and their accountants understand tax treatment of the various components of clergy compensation and benefits. It includes tax reporting information and sample forms for different situations.

<https://www.cpg.org/active-clergy/learning/finance/taxes/clergy-taxes/>

A Guide to Benefits Under the Clergy Pension Plan

This guide is a summary of the benefits and rules governing the Clergy Pension Plan, which covers all bishops, priests, and deacons who are canonically resident in a domestic diocese of the Episcopal Church.

<https://www.cpg.org/active-clergy/retirement/clergy-pension-benefits/the-clergy-pension-plan/>

Federal Reporting Guide

This guide provides information useful to parish administrators, bookkeepers, treasurers and the clergyperson's accountant.

<https://www.cpg.org/forms-and-publications/publications/tax-publications/>

10 - New Hampshire Canon on Clergy Compensation

Canon 4, Duties of Wardens and Vestry Members

Section 4. Clergy and Lay Employee Compensation and Benefits

Benefits

4.1 Compensation and Benefits

(a) The diocese and every congregation of the diocese shall provide its clergy and lay employees with compensation and benefits as outlined in the Compensation & Benefits Manual and accompanying Compensation Framework.

(b) The Human Resource Committee of the Diocese of New Hampshire shall update from time to time, but at least annually, the Compensation & Benefits Manual and the Compensation & Benefits Framework, based on changes or revisions from Church Pension Group (CPG), State or Federal law or other modifications deemed necessary by the committee. Any substantive changes shall be presented to Diocesan Council for approval prior to their enactment.

(c) Upon approval, these changes will be communicated to all congregations of the diocese through electronic communications provided to clergy, wardens, treasurers, and delegates to Diocesan Convention, and by means of presentations made to regional Convocation meetings by the Chief Financial Officer (CFO) of the diocese, or his/her designee.

(d) Unless otherwise determined by letter of agreement, for purposes of this canon, fulltime employment shall be considered to be forty hours per week.

(e) Where employment is defined as being less than full-time, the vestry or bishop's committee shall determine and provide at least the appropriate pro-rated level of compensation and benefits.

4.2 Letters of agreement for Clergy and Lay Employees. Compliance with the "Compensation and Benefits Manual" will be stipulated in the Letter of Agreement for all clergy and lay employees. A copy of all Letters of Agreement shall be on file with the office of the bishop.

4.3 Congregations to Report. As part of its annual parochial report and as prescribed by the bishop, each congregation shall report to the bishop by March 1 of each year on the compensation and benefits of its clergy and lay employees. Comparative information on compensation and benefits is available from the Bishop's Office.

11 - Frequency of Wage Payments per New Hampshire Law

An employer must pay employees weekly and within eight days of the end of the pay period, unless the New Hampshire Department of Labor has authorized the employer to pay less frequently not to exceed payment of wages once per month.

An employer who requests permission to pay less frequently than weekly or biweekly must supply the New Hampshire Department of Labor with the following:

- Method of payment;
- Whether biweekly (once every two (2) weeks); or semi-monthly (two (2) times per month) or monthly;
- When each pay period begins and when each pay period ends;
- Designated payday;
- Classification of employees;
- The salary range of the employees involved; and
- The employers' federal identification number.

The New Hampshire Department of Labor will grant permission to pay less frequently than weekly on a case-by-case basis provided the following terms and conditions are met:

- The information required to be supplied, as listed above, is complete;
- The designated payday is on a regular schedule which is no less frequent than monthly;
- The employer has no history of wage and hour violations; and
- The employees of the employer making such request will not endure financial hardship by a decrease in pay frequency.

If the New Hampshire Department of Labor grants permission, the permission is valid for an indefinite period of time, provided that:

- No complaints are received by the Department of Labor from the employees involved;
- Payroll is regularly satisfied on the designated payday;
- The information provided by the employer to substantiate its request does not change; and
- The employer remains in compliance with all New Hampshire labor laws.

New Hampshire Stat. 275:43; NH Admin. Rules 803.01 (11-1-2018)

To make a request for payment of wages other than weekly or biweekly, see the New Hampshire Department of Labor website at [this link](#).

NOTES AND QUESTIONS