

INTRODUCTION

Purpose of the Committee

The Clerical and Lay Employee Compensation Committee was established by Canon 22 of the Diocese of Maine. Originally known as the Clerical Compensation and Review Committee, its name was changed at the 2002 Diocesan Convention to reflect the growing importance of lay employees in the administration and leadership of congregations in Maine.

The Committee is required by Canon 22 to recommend to the annual Diocesan Convention the minimum *Total Clerical Compensation* (see p. 3) for the following year. It is also charged with making recommendations and developing guidelines to encourage uniform, fair and equitable compensation and benefits for congregational employees within the Diocese. To fulfill this role, the Committee collects and reviews compensation benefit information from other Episcopal Dioceses and other denominations, as well as employment statistics from business, government and academic institutions within the state.

The Committee also serves as a resource to the lay and ordained leadership of the Diocese and its congregations, as advisors and facilitators in establishing and maintaining fair compensation and benefits according to Diocesan guidelines and congregational objectives.

Goals of the Committee for Clergy Compensation:

The Committee has established four specific goals to guide its decisions in recommending compensation and benefits guidelines for clergy:

1. Attract **high quality** clergy to the congregations of the Diocese of Maine.
2. Retain and support **high quality** experienced clergy in the congregations of the Diocese of Maine.
3. Adequately and fairly support clergy in congregations of all sizes.
4. Value congregational experience of clergy.

Principles for Mission Within Congregations in the Diocese of Maine

In preparation for the major changes to the clergy compensation guidelines that were proposed and adopted at the 183rd Convention of the Diocese of Maine in 2002, the Committee submitted the following Principles for Mission that were adopted at the 2000 Convention. It is these principles, along with the Goals listed above, that inform our mission as a committee.

1. We are committed to supporting the ministry of all baptized people.
2. We are committed to a vision of ordained ministry as primarily supporting the ministry of all baptized people.
3. We are committed to supporting the well being of every congregation.
4. We are committed to helping congregations support the spiritual development of current members, as well as helping congregations, regardless of their size, grow numerically and financially, as the Holy Spirit may lead.
5. We are committed to increasing the financial resources available to support congregations and exploring creative ways to accomplish this goal.
6. We are committed to exploring and testing innovative ways to provide and support lay and ordained ministry in congregations.
7. We are committed to upholding, valuing and celebrating ordained ministry.

8. We are committed to the creative use and effective management of clergy resources, deployment and compensation to support the ministry of all baptized people.

DEFINITIONS

Assistant or Curate – Assistants or Curates, and clergy in equivalent positions, must receive a TCC (Total Clergy Compensation, see p. 3), that is at least 80% of the minimum compensation for the congregation (see chart on p. 15).

Cafeteria Plan/Section 125 – A mandatory benefit that allows clergy to pay for insurance premiums, receive reimbursement for dependent care, and maintain a medical savings account with *pre-tax* dollars (see p. 9).

Compensatory Time Off – A “reimbursement” of time for clergy whose duties have required them to work more than the time specified in their Letter of Agreement (see p. 18).

Deacon – Deacons are normally non-stipendiary (i.e., not compensated for their services). They are reimbursed for out-of-pocket expenses according to the guidelines on p. 8, and are customarily provided with a Discretionary Fund (see below and p. 9).

Discretionary Fund – A congregation’s Discretionary Fund is owned by the congregation but administered by the clergy, often to meet the urgent needs of individuals. See p. 9.

Fair Rental Value – The fair rental value of a rectory provided to clergy is its value as determined by a qualified professional (i.e. what it would cost someone in the area to rent the Rectory or Vicarage as provided by the congregation), plus the actual cost of all utilities paid by the congregation. There are Internal Revenue Service rules that should be consulted in making this determination.

Full Time – The basic standard for full time employment in the Diocese of Maine is five days per week or twelve (12) units per week. A unit is defined as a morning, afternoon or an evening. It must be noted, however, that emergencies, weddings, funerals, and the demands of the liturgical year mean that full time clergy are often called to work more than five days or twelve (12) units, and should be “reimbursed” with compensatory time off (see p. 11).

Housing Allowance (Cash) – When no rectory is provided the congregation pays a housing allowance to the clergy. When a cash housing allowance is paid, the clergy are responsible for all housing expenses, including utilities. *See p. 4 for details about the Clergy Housing Allowance (Cash).*

Housing Equity Allowance – A percentage of the clergy person’s salary that must be set aside by all congregations that provide a Rectory (see p. 6).

Interim Pastor – A priest with special training who serves congregations during the process of a search for a new Rector or Vicar. An Interim Pastor is not eligible to be nominated by the Search Committee as the next Rector or Vicar. The Total Clergy Compensation for an Interim Pastor is the same as that for a Rector or Vicar.

Letter of Agreement – A document spelling out the mutual duties of a clergy person and the congregation that he or she serves, including the details of the compensation package. Sample letters are found on pp. 18 -22.

Parsonage Allowance - When the congregation provides a Rectory, the congregation is also responsible for the cost of utilities, appliances, cleaning supplies, repairs and maintenance. The amount paid to the clergy to maintain and furnish a residence as defined by the IRS is the Parsonage Allowance, and should be supported by the Vestry in the form of a parsonage

allowance resolution (see page 5). Such resolution makes the Parsonage Allowance – paid to the clergy in cash – free of federal and state income taxes.

Part Time – Part time employment is anything less than five days or 12 units per week. It is often designated as quarter-time (3 units), one-third time (4 units), half time (6 units), or three-quarter-time (9 units). The leading of Sunday worship including sermon preparation should be considered as 2 units. The TCC must be proportionate to the TCC for a full-time position in a similar size congregation according to the chart on p. 15. A unit is defined as a morning, afternoon or evening. Dental and health insurance benefits are pro-rated according to the part time designation. Life insurance is not pro-rated.

Pension Contribution – The mandatory amount paid to the Church Pension Fund by the congregation on behalf of the clergy. It is not part of the clergy compensation package. (See p. 10).

Priest in Charge – A priest with special training who serves a congregation during a transition period that may be longer than the ordinary search process. A Priest-in-Charge may, with the agreement of the congregation and the Bishop, be nominated by the Search Committee as the next Rector or Vicar. The Priest-in-Charge is appointed by the Bishop.

Self-Employment Tax Reimbursement – The reimbursement provided by the congregation to offset one-half of the Self-Employment (Social Security and Medicare) Taxes paid by the clergy. This is counted as compensation and is taxable. (See p. 7).

Stipend – The cash compensation paid a clergy person exclusive of the Housing or Parsonage Allowance and Self-Employment Tax reimbursement.

Supply Clergy – Clergy who preside at Sunday or weekday Eucharists and occasionally at weddings and funerals, in the absence of the Rector or Vicar. See p. 16 for the schedule of the minimum compensation for supply clergy for Sunday and weekday services, and other services performed for a congregation.

Total Clergy Compensation (TCC)

Without a Rectory: includes Stipend, Housing Allowance (Cash) and Self-Employment Tax Reimbursement.

With a Rectory: includes Stipend, Self-Employment Tax Reimbursement, Parsonage Allowance and Fair Rental Value of provided housing (including utilities) .

The TCC is essentially the same as “salary” as that term is used for secular occupations.

Unit – Is the work done by a Rector or Vicar in a morning, afternoon or evening. This includes administration, meeting preparation and attendance, pastoral care and counseling, sermon preparation and presiding at liturgies. Twelve units is considered to be full time.

Utilities – The amount paid by the congregation, when a Rectory is provided, to cover heating fuel, electricity, water, sewer and basic telephone service charges. These are normally paid directly by the congregation.

Years of Service – The number of years that the clergy person has served in a congregation since ordination in the Episcopal Church of the United States of America. Ordained service in another denomination may also be considered.

CLERGY COMPENSATION GUIDELINES

Canon 22 of the Diocese of Maine requires the Diocesan Convention to establish each year the *minimum* compensation for a clergy person who is employed on a full time basis. Compensation

is defined as Stipend, either Housing or Parsonage Allowance, and Self-Employment Tax Reimbursement.

Pursuant to IRS regulations, the amount of compensation designated by the clergy person as the Housing Allowance (Cash) – or, when a Rectory is provided, the Parsonage Allowance – must be voted on by the Vestry or Bishop's Committee, and included in the congregation's written record, before the beginning of the clergy person's employment, and then annually for the next calendar year before the end of the current calendar year. The portion of compensation designated as the Housing Allowance (Cash) is determined by the clergy person.

With respect to both the Housing Allowance (Cash) and the Parsonage Allowance, there are important Internal Revenue Service rules that must be consulted.

Clergy who are employed on less than a full time basis will receive compensation in proportion to the percentage of time agreed on by the clergy person and the congregation.

Compensation recommendations are updated annually, and provide guidelines to help congregations determine clergy compensation and other benefits (see chart on p. 15). Congregations are strongly urged to include the additional recommended compensation based on the clergy person's years of service (see p. 16).

Compensation Policy for Congregations That Share Clergy

Generally, the individual congregations of a group that shares clergy fall into the "Type I" congregation by classification, both because of reported Normal Operating Income (NOI) and Average Sunday Attendance (ASA). However, if all the congregations of the group were treated as a single unit both the NOI and ASA might result in a higher level of classification.

Rather than create a hybrid (a Type 1.5 for example), the Compensation Committee recommends that for purposes of compensation, clergy serving a group should be viewed as serving Type I congregations. The compensation provided to such clergy should fully recognize the number of years of ordained service in a congregation each brings to the position.

CLERGY HOUSING OR PARSONAGE ALLOWANCE

Each clergy person should receive an allowance for housing expenses, even if he or she lives in a rectory. A congregation can designate Housing or Parsonage allowances for more than one clergy person, and can designate housing or parsonage allowances for supply clergy as well as for the clergy on staff.

The basic rule is:

MONEY SPENT BY THE CLERGY TO PROVIDE, FURNISH AND MAINTAIN A PRINCIPAL RESIDENCE IS EXCLUDABLE FROM FEDERAL (AND STATE) INCOME TAX. This money is subject to Self-Employment Tax, as is the fair rental value of housing provided by the church.

The amount of money specified for the Housing Allowance (Cash) should be in resolution form in the minutes of the Vestry/Bishop's Committee. *The resolution must be passed before the Housing Allowance (Cash) takes effect.* The best practice would be to pass the resolution for the coming year at the December Vestry/Bishop's Committee meeting (see model resolutions below).

Examples of eligible housing expenditures (expenditures must be documented):

- Mortgage and home equity loan payments – both principal and interest
- All utilities
- Insurance on both property and contents
- Real estate taxes
- All furnishings, such as chairs, pictures on walls, beds
- Cable TV
- Telephone (local service only)
- Garbage collection
- Outdoor lawn work and plants
- Repairs
- Cleaning expenses (cleaning supplies, cleaning curtains, vacuum cleaner, etc)
- Postage for house related bills
- House sitting during vacation

This list is not intended to include every possible item

Setting the amount of the Housing Allowance (Cash):

The maximum amount that can be excluded from Income Tax is the lowest of the following three amounts:

1. Actual cash spent on housing-related expenses.
2. Fair rental value of the house (or apartment) as furnished, plus the actual cost of utilities.
3. The amount specified in a resolution in the Vestry/Bishop's Committee minutes which establishes the Housing Allowance (Cash) (see model resolutions below).

The vestry resolution may be a little on the high side to cover unexpected items, such as home repairs.

For supply clergy there needs to be a resolution naming each supply clergy person. This may mean several resolutions during the course of the year. Remember that each resolution must be passed before the services are performed.

There is no limit to the amount of salary that can be designated in the vestry resolution as Housing Allowance (Cash). It can be (and often is in part-time settings) 100% of the cash compensation.

Model Resolutions:

1. *Clergy paid cash Housing Allowance.*

Resolution of the Vestry, 12/10/20xx:

“Whereas the Rev. Jane Smith is employed as a minister of the Gospel by St. Mark’s Church, Buxton, Maine, which does not provide a residence for her, the vestry resolves that of the Total Clergy Compensation of \$75,000 paid to the Rev. Jane Smith beginning January 1, 2006, that \$25,000 be designated as a housing allowance within the meaning of that term as used in Section 107 of the IRS Code of 1986.”

2. ***Clergy lives in a Rectory provided by the congregation.***

Resolution of Vestry 12/20/20xx:

“Whereas the Rev. John Smith is employed as a minister of the Gospel of St. Swithin’s Church, Acton, Maine, which although providing a residence for him does not provide the full cost of maintaining and furnishing such a residence; the vestry resolves that of the Total Clergy Compensation of \$75,000 to be paid to the Rev. John Smith beginning January 1, 2006, that \$8,000 be designated as a Parsonage Allowance within the meaning of that term as used in Section 107 of the IRS Code of 1986.”

Calculating the Stipend as a Part of Total Clergy Compensation when housing is provided.

The minimum Total Clergy Compensation approved annually by Convention includes either a cash housing allowance or the Fair Rental Value of provided housing. When housing is provided, the amount paid in cash will be reduced by the Fair Rental Value of the provided housing

To determine the cash stipend when housing is provided complete the following steps:

1. Determine the Total Clergy Compensation from appropriate year as set by Convention.
2. Subtract the amounts for Self-Employment Tax Fair Rental Value of provided housing and Parsonage Allowance
3. The remainder is the cash stipend.
4. The amount actually paid in cash will be the cash stipend (in step 3) plus the Self-Employment Tax reimbursement (used in step 2), plus the Parsonage Allowance.

Example:

Assumptions: Total Clergy Compensation = \$ 54,500
Fair Rental Value of Provided Housing = \$18,000
Self-Employment Tax Reimbursement = 7.65% of \$ 54,500 = \$ 4,169.25
Parsonage Allowance = \$3,000

1. \$ 54,500.00
2. $54,500. - \$4,169.25 - \$18,000. - \$3,000. = \$29,330.75$
3. Cash Stipend is \$29,330.75
4. Total cash paid is $\$29,330.75 + \$4,169.25 + \$3,000. = \$36,500$
5. \$ 3,000.00 of the \$36,500. is designated as housing allowance and excluded from the W-2 at year end.

Housing Equity Allowance

Congregations providing a Rectory are required to set aside, in a tax sheltered investment account, a Housing Equity Allowance equal to a minimum of 3% of the TCC. These funds become the property of the clergy person after one year of service. This provision is intended to offset the financial disadvantages incurred by clergy living in church provided housing.

For the Treasurer: Handling the W-2 Form (or Form 1099 for supply clergy only):

The treasurer will exclude the entire amount designated as Housing Allowance (Cash) or the Parsonage Allowance from the income reported. In the example of Jane Smith above, the W-2 would report \$50,000 in income. In the example of John Smith above, the W-2 would show \$67,000 in income.

If 100% of the income is designated as a Housing Allowance (Cash), no amount would be reported on Form W-2 in the box entitled “wages, tips and other compensation”. The amount of the Housing or Parsonage Allowance would be reported in the box entitled “other”.

For the Clergy: Handling your Income Tax filing:

Clergy must report unspent Housing Allowance (Cash) or Parsonage Allowance as taxable income. Clergy must also keep records and receipts of expenditures in case of audit. The entire amount of the Housing Allowance (Cash) or Parsonage Allowance must be included for Self-Employment Tax. In the case of clergy living in provided housing the fair market value of the Rectory must be included for Self-Employment Tax.

SOCIAL SECURITY OBLIGATIONS

Although ordained clergy are treated as employees for most tax purposes, the federal Internal Revenue Code treats clergy as “self-employed” for purposes of Social Security and Medicare, and requires the annual payment of a Self-Employment Tax. The current calculation for Social Security and Medicare is 15.3% of taxable income. It is the responsibility of clergy both to report and to pay the Self-Employment Tax, usually with quarterly estimated payments. Therefore, as an employer, the congregation does NOT:

- Withhold from the clergy’s compensation any portion for purposes of FICA or Medicare;
- Make any payments to the federal treasury as contributions towards the clergy’s Social Security or Medicare account; and
- Report FICA or Medicare contributions on the IRS Form 941, nor the clergy’s Form W-2.

Canon 22 requires that every congregation reimburse clergy for one-half the expense of the Self-Employment Tax by adding to the clergy’s stipend an amount equal to the following (Self-Employment Tax Reimbursement):

The aggregate total of cash stipend and the clergy’s Housing Allowance (paid in cash or the fair market value of the housing provided plus the Parsonage Allowance) multiplied by the applicable percentage rate required of employers for FICA and Medicare contributions.¹

It is possible for clergy to avoid making quarterly estimated tax payments and filing for federal income and self-employment taxes. The clergy person may have the employer withhold sufficient federal withholding funds to cover both the federal income and self-employment taxes; the clergy should designate the amount to be withheld and the congregation will pay the amounts withheld quarterly when filing the required form 941. The clergy will allocate these monies when filing the annual federal income tax form 1040. Clergy who participate in the Diocesan

¹ *As of 2003 employers are obligated to contribute 6.2% of total compensation for FICA (Social Security) and 1.45% for Medicare. Congregations should take care to make appropriate adjustments at such time as the FICA and Medicare contribution rates may be changed.*

Central Payroll system can arrange for such withholding and payment on their behalf if they so choose.

The amount contributed by the employing parish towards the clergy's self-employment tax obligation is included in the clergy's total compensation for purposes of calculating the congregation's pension obligation for the clergy; it is also taxable income for the clergy person.

BUSINESS EXPENSE OBLIGATIONS

Like many other professional and business people, clergy from time to time incur travel and other business expenses. Common types of such expenses include:

- Mileage, for the cost of operating an automobile while traveling around the parish and the Diocese, at the current rate established by the IRS.
- Meals, when traveling away from home, or entertaining.
- Airplane, train or bus fares when required.
- Hotel or motel expenses when required to be away overnight.
- Business gifts.
- Subscriptions for periodicals, or purchase of books used in the clergy's work.

It is recommended that eligible business expenses be mutually agreed on by the clergy and vestry in the Letter of Agreement. Reference should be made to the Human Resource Guide for the Diocese of Maine, section on reimbursement for business expenses.

Note that any "goods" purchased using church funds become the property of the church, not the property of the clergy person requesting reimbursement. This includes all items paid for by the congregation, such as vestments, books, liturgical materials etc.

The recommended procedure is that, as an employer, a congregation should reimburse clergy for actual out-of-pocket expenses incurred in performance of his or her duties that are substantiated in writing (by filing an expense account with appropriate receipts attached) within a reasonable time after the expenses are incurred. The employing congregation does NOT include any amounts paid to clergy to reimburse for such expenses in the amount reported on the annual form W-2.

Congregations should establish standard procedures (see sample Accountable Reimbursement Plan resolution on page 17) for filing periodic expense reports, together with appropriate requirements for the manner in which such expenses will be substantiated. Ordinarily, congregations do not advance funds to clergy for expenses, but only reimburse after the expense has been incurred. In unusual instances, however, it may be appropriate to advance funds. In those cases it is important the clergy submit a properly documented expense report very promptly after the expense is actually incurred. Also, clergy must return to the congregation any amounts advanced in excess of substantiated expenses.

Any funds advanced by a congregation for which no expense report is received by December 31 of any year should be included in the total compensation reported on the clergy person's Form W-2 for that year. To comply with applicable IRS requirements, the congregation should retain copies of all submitted expense reports in the files for at least six (6) years following the year in which the reported expenses were incurred.

The Manual of Business Methods in Church Affairs should be consulted by congregation financial leadership for a more detailed explanation of these matters, and for guidance in complying with all Diocesan and governmental reporting requirements.

DISCRETIONARY FUND

Each clergy person in a congregation, Rector/Vicar or Deacon, should be provided with a Discretionary Fund to use for urgent pastoral needs that are usually appropriately kept anonymous. This fund should be in the name of the congregation (e.g., St. Swithin's Rector's Discretionary Fund) and opened with the congregation's tax ID number.

The Discretionary Fund is usually funded by the loose offering from one designated Sunday per month, an amount set aside from the congregation's annual budget, or a combination of the two. Individuals can make contributions to the Fund if they wish to help the Rector's pastoral work. When the clergy person leaves the congregation, money in the Discretionary Fund account remains with the congregation. Ordinarily, during an interim period, a member of the congregation – often a Warden – administers the Discretionary Fund.

Although the details of the purposes for which the Fund is used are confidential, the Fund is subject, along with all other congregational monies, to the annual audit or review of the congregation's funds.

The Discretionary Fund should not:

- Only be in the name of the clergy person, or be opened solely with his or her Social Security number. If it is, the funds are considered income for the clergy person, and are taxable.
- Be used for the kinds of expenses described above as *Business Expenses*. The Discretionary Fund is intended to meet confidential pastoral and charitable needs.
- Be used for the clergy person's personal needs.

REQUIRED BENEFITS

The benefits to be provided to clergy in the Diocese of Maine are outlined in Canon 22 – *Of Clerical and Lay Employee Compensation*.

Insurance Coverages

All congregations must provide clergy with the health, dental and life insurance package in accordance with Canon 22 and a Section 125 Cafeteria Plan as approved by Diocesan Council. The congregations are responsible for paying at least 90% of the health and dental premiums and 100% of the life insurance premiums.

The mandatory Section 125 Cafeteria Plan allows the employee to pay for insurance premiums, receive reimbursement for dependent care and for a medical savings account with pre-tax dollars. The least expensive way for congregations to provide the required Section 125 Cafeteria Plan is through participation in the Diocesan Central Payroll system. Information on the Diocesan Central Payroll system is available through the Financial Office at Loring House. Congregations may establish their own Section 125 Cafeteria Plans at an estimated annual cost of more than \$800, if they do not choose to use the Diocesan Central Payroll system.

In those situations where clergy are paid for part-time rather than full-time service, congregations are to pay at least the same proportion of the premium for health and dental insurance as the agreed-upon compensation.

In cases where a clergy person's health and dental coverage is provided by a different plan, the congregation must contribute toward the cost of the alternative coverage equivalent to the

Diocesan plan. However, such contributions would be taxable income to the clergy, and reported on the form W-2.

Short Term Disability Insurance

The Church Pension Fund automatically provides this benefit to “active clergy”, defined as “those who are actively working in a church institution, are current in their pension assessments and are canonically resident in the United States”. The benefit covers 70% of total compensation, as reported to CPF, up to \$1,000 per week, for a maximum of 52 weeks for clergy who become disabled because of illness or accidental bodily injury for more than 30 days. Payment of the benefit will be to the employer. The employer must continue the cleric’s full compensation throughout the disability period and continue to pay pension assessments while she/he is disabled.

Long Term Disability Insurance

Congregations are strongly encouraged to suggest that clergy purchase long-term disability insurance administered through Church Life Insurance Corporation and underwritten by FirstUNUM Life Insurance Company. If the congregation pays the premium for long-term coverage, there are potential offsets to the benefits and the amount received by the cleric can be reduced. It is suggested that congregations provide for the payment of the disability premium in the cash stipend, so the cleric can pay the premium directly to avoid losing a portion of the benefit.

Clergy who are employed less than 20 hours per week are not eligible to purchase disability insurance.

Church Pension Fund Contribution

All clergy must be covered by the Church Pension Fund and regular payments made to the CPF. The premium is 18% of the clergy person’s current TCC (Stipend, Housing Allowance (Cash), and Self-Employment Tax Reimbursement). Congregations should refer to the Church Pension Fund rules with respect to contributions that may be required for retired clergy who continue to be employed.

The following are examples of how to compute the congregation’s annual contribution to the Church Pension Fund with respect to each employed and covered clergy person.

Pension Assessment Calculation

When a rectory is provided:

- 1 Add the following items:

Cash stipend	_____
Parsonage Allowance	_____
Self-employment Tax Reimbursement	_____
Equity Allowance	_____
Rectory’s utilities	_____
total of above items	_____

- 2 Multiply the total in line 1 by 30% (.30)

This is the pension fund's value for housing _____

3 Add lines 1 and 2 _____

4 Multiple line 3 by 18% (.18)
This is the pension assessment _____

Note: The total in line 3 is greater than that Total Clergy Compensation because the Equity Allowance is subject to Pension Fund Assessment. In the Diocese of Maine the Equity Allowance is in addition to the Total Clergy Compensation (TCC).

When no rectory is provided:

1 Add the following items:
Cash stipend _____
Housing Allowance _____
Self-employment Tax Reimbursement _____
total of above items _____

2 Multiple line 1 by 18% (.18)
This is the pension assessment _____

Congregations should take care to make all pension contributions in a timely fashion, while participating clergy should, not less than once each year, examine their account at the Church Pension Fund to be certain all required contributions have been paid when due.

Housing Equity Allowance

Congregations providing a Rectory are required to set aside, in a tax sheltered investment account, a Housing Equity Allowance equal to a minimum of 3% of the TCC. These funds become the property of the clergy person after one year of service. This provision is intended to offset the financial disadvantages incurred by clergy living in church provided housing. Withdrawals are subject to IRS regulations.

Workers Compensation and Employers Liability Insurance

All employees of a congregation must be covered by an insurance policy that meets the requirements of the Maine Workers Compensation Act of 1992, Title 39-A. This coverage is included in the Province I Insurance Program in which all entities of the Diocese of Maine must participate.

LEAVE TIME

Annual Leave

Full-time clergy have the following periods of leave at full-time compensation:

- One month annual vacation, consisting of thirty days and including four Sundays.

- Holidays, to be taken so as not to interfere with worship for major occasions. These holidays include: New Years' Day, Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Fourth of July, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, the day following Thanksgiving Day, and Christmas.
- Continuing education leave will conform to the amount specified in Canon 22, which may not be carried over to the following year.
- Part-time clergy have the same amount of leave time as full time clergy.
- Unused leave time of any kind is not carried over to the following year, nor is it compensated at the termination of the clergy person's employment.

Weekly Time Off

It is recommended that full time clergy take two days off each week, one of which will be at least one continuous twenty-four hour period solely for the clergy person's personal and family use. It is also expected that the Wardens will be mindful of the clergy's health and welfare and give due consideration to the clergy person's schedule.

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 or her 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. Regular additional days off following the Easter and Christmas holiday services can be negotiated through the Letter of Agreement. A workable arrangement to handle other compensatory time needs should be established by the clergy person and the Vestry/Bishop's Committee or the Wardens.

Maternity/Paternity/Adoption Leave

In accordance with the recommendations contained in a resolution passed by the 73rd General Convention of the Episcopal Church, clergy in the Diocese of Maine should receive the following benefits:

1. A member of the clergy who has been employed by a congregation for one full year and is the designated "primary child-care parent" is entitled to leave for the birth or adoption of a child for a minimum of eight weeks with pay. Up to eight additional weeks may be taken without pay. The clergy person may elect to use vacation leave or sick leave during this latter period.
2. A member of the clergy who has been employed by a congregation for one full year and is the "non-primary care parent" is entitled to leave for the birth or adoption of a child for a minimum of two weeks with pay and up to ten additional weeks without pay.
3. A member of the clergy employed by a congregation for less than one full year is entitled to the same number of weeks of leave. Pay during this period is negotiated between the congregation and the clergy person.

Sick Leave

Sick leave with full pay is taken when the clergy person is ill and/or in need of medical or dental services, or, if necessary, when a member of the clergy person's immediate family (child, sibling, parent, partner) is ill or in need.

Disability Leave

In the case of an extended illness or disability, full salary, housing and benefits are to be paid by the congregation until disability insurance goes into effect (see p. 10).

Sabbatical Leave

A priest canonically resident in the Diocese, following each five-year period of service, is eligible for a leave of absence for four months for spiritual and intellectual refreshment and shall be entitled to full compensation during the leave. The priest must have served in the position from which he or she is taking the leave for at least three years to be eligible. **This leave may not be used at the time of termination of employment or retirement, nor may it be accrued.** (Canon 22, Section 4.2)

Military Leave

It is suggested that during the call process, if the clergy person is a member of the Reserves of any branch of the United States military, the Vestry and clergy person thoroughly discuss and agree on a plan of action should the clergy person be activated for military service. The plan should be detailed in the Letter of Agreement, and should cover not only the contingency of active duty, but also the normally expected two weeks of summer training for the Reserves or National Guard, other training drills, and the possibility of national crises.

Such a plan should cover such issues as:

1. Uninterrupted use of congregation-owned housing, or of the clergy person's Housing Allowance (Cash), especially if the clergy person has a family.
2. Uninterrupted provision of pension payments and other benefits including health, dental and life insurance.
3. Assurance that the clergy person will be able to resume his or her responsibilities upon return, without concern about the loss of employment.
4. The possibility of providing a supplement to the clergy person's military pay, should that pay prove to be insufficient to meet the needs of the clergy person and his or her family during an extended mobilization.
5. The length of time the congregation would continue financial and other material support, such as housing, for his or her family should the clergy person die or be totally disabled while on active duty.

Guidance for making these decisions can be found by consulting the Uniformed Services Employment and Reemployment Rights Act, which applies to most secular employers (see the Employer Resource Guide at www.esgr.org).

ANNUAL REVIEW OF LETTER OF AGREEMENT

Every Letter of Agreement in the Diocese of Maine between a Rector/Vicar and the Vestry/Bishop's Committee contains a section that specifies, "There shall be an annual discussion and mutual study of the Church's total ministry." The purpose of this requirement is to provide the ordained and elected leadership of the congregation with an opportunity to assess how well they are fulfilling their responsibilities to each other and the congregation, and to clarify the expectations of all parties through a process that includes a review of the Letter of Agreement. Changes to the Letter of Agreement may be done by an addendum rather than revising the entire agreement.

MUTUAL STUDY OF MINISTRY

In addition to the annual review of the Letter of Agreement and an informal discussion of the Church's ministry mentioned above, the Rector/Vicar and Vestry/Bishop's Committee agree to a formal Mutual Study of Ministry process at least once every two years (see page 22). This is a process that has been developed by the Canon to the Ordinary for Congregational Development that involves the Rector/Vicar, Vestry/Bishop's Committee and members of the congregation in a mutual discernment process concerning the ministry they are doing together in God's name. The process is straightforward and is intended to involve the clergy and lay leadership as well as a significant percentage of the congregation at large.

Mutual Study of Ministry is not intended to be a performance evaluation of the clergy and should not be a part of the budget process or compensation review.

Mutual Study of Ministry is led by a trained facilitator whose stipend is paid by the Diocese. For more information, please contact the Diocesan Office, 1-800-244-6062, for more information on this process.

For further assistance or other questions about this Handbook, consult either the Diocesan website (www.episcopalmaine.org) or contact Terry Reimer, Financial Officer.

In October 2007, delegates to Convention passed the following resolution. The attachments below have been adapted to meet the criteria of Substitute Resolution #7. Use Attachment #1 and #2 to determine minimum compensation for 2008.

SUBSTITUTE RESOLUTION #7

RE: Clergy Compensation for 2008

SUBMITTED BY: Clerical and Lay Employee Compensation Committee

BE IT RESOLVED that the minimum compensation for a presbyter in full time service, consisting of Cash Stipend, Self-Employment Tax reimbursement, and Housing and Utilities Allowance is to be set according to the formula established at the Diocesan Convention of 2006 with a 5% across the board increase for each of the four church Type levels and that the **compensation for supply clergy be set for one Sunday service at \$130 and for two Sunday services at \$160.**

AND BE IT FURTHER RESOLVED that a Committee be appointed to report to the 2008 Diocesan Convention to present a comprehensive stewardship plan to move the Diocese from an attitude of scarcity to a theology of abundance.

CARRIED AT THE 188TH CONVENTION OF THE DIOCESE OF MAINE 10/26-27/07

ATTACHMENT # 1 TO 2007 RESOLUTION TO DETERMINE CHURCH TYPE

NOI*	Points	ASA**	Points	Total Points	Type
Up to - \$107,999	1	1 - 80	1	0 - 3	I
\$108,000 - \$149,999	2	81 - 120	2	4 - 5	II
\$150,000 - \$199,999	3	121 - 150	3	6 - 7	III
\$200,000 - up	4	151 - up	4	8	IV

* NOI (Normal Operating Income as shown on Page 3, Line A of the Parochial Report)

** ASA (Average Sunday Attendance as shown on Page 2, Line 6 of the Parochial Report)

ATTACHMENT # 2 TO 2007 RESOLUTION WITH 5% INCREASE PER SUBSTITUTE RESOLUTION #7 PASSED 10/25-26/2007

Years *	1	2	3	4	5	6	7	8	9	10
Type I	\$55,524	\$55,982	\$56,368	\$56,789	\$57,211	\$57,633	\$58,683	\$58,477	\$58,899	\$59,214
Type II	\$60,067	\$60,602	\$61,136	\$61,671	\$62,205	\$62,739	\$63,273	\$63,807	\$64,342	\$64,876
Type III	\$65,777	\$66,423	\$67,069	\$67,716	\$68,362	\$69,009	\$69,719	\$70,303	\$70,950	\$71,586
Type IV	\$70,521	\$73,396	\$74,155	\$74,914	\$75,674	\$76,433	\$77,192	\$77,951	\$78,710	\$79,469

* = Years of service since ordination to the Priesthood.

Annual Minimum Increase for Priests with More than 10 Years Ordained Service

Type I	Type II	Type III	Type IV
\$420	\$536	\$651	\$756

Following the 10th year, the total compensation should be increased by at least the amounts shown above for each additional year of experience.

2008 Guidelines for minimum compensation for supply clergy:

One Sunday Service	\$130.00
Two Sunday Services	\$160.00
Other Liturgical Services	\$ 75.00
Pastoral or other assigned responsibilities	\$ 75.00 (per unit*)

* = a **unit** is a morning, afternoon or evening

Expenses are reimbursed at cost for meals, lodging, telephone, etc. and at the IRS maximum approved rate for mileage.

Sample Resolution of Vestry: Accountable Reimbursement Plan

WHEREAS, income tax regulations 1.162-17 and 1.274-5(e) provide that an employee "need not report on his tax return" expenses paid or incurred by him solely for the benefit of his employer for which he is required to account and does account to his employer and which are charged directly or indirectly to the employer; and

WHEREAS, income tax regulation 1.275-5(e) further provides that "an adequate accounting means the submission to the employer of an account book, diary, statement of expense, or similar record maintained by the employee in which the information as to each element of expenditure (amount, time and place, business purpose, and business relationship) is recorded at or near the time of the expenditure, together with supporting documentary evidence, in a manner which conforms to all the 'adequate records' requirements" set forth in the regulation; and

WHEREAS, name of church desires to establish a reimbursement policy pursuant to regulations 1.162-17 and 1.274-5(e);

BE IT RESOLVED that name of church hereby adopts a reimbursement policy pursuant to income tax regulations 1.162-17 and 1.274-5(e), upon the following terms and conditions:

1. Any employee now or hereafter employed by name of church shall be reimbursed for any ordinary and necessary business and professional expense incurred on behalf of the church, if the following conditions are satisfied: 1) the expenses are reasonable in amount; 2) the employee documents the amount, time and place, business purpose, and business relationship of each such expense with the same kinds of documentary evidence as would be required to support a deduction of the expense on the employee's federal income tax return; and 3) the employee documents such expenses by providing the church treasurer with an accounting of such expenses, no less frequently than monthly. In no event will an expense be reimbursed if substantiated more than 60 days after the expense is paid or incurred by an employee.
2. The church shall not include in an employee's W-2 form the amount of any business or professional expense properly substantiated and reimbursed according to the preceding paragraph, and the employee should not report the amount of any such reimbursement as income on his or her Form 1040.
3. Any church reimbursement that exceeds the amount of business or professional expenses properly accounted for by an employee pursuant to this reimbursement policy must be returned to the church within 120 days after the associated expenses are paid or incurred by the employee, and shall not be retained by the employee.
4. If, for any reason, the church's reimbursements are less than the amount of business and professional expenses properly substantiated by an employee, the church will report no part of the reimbursements on the employee's W-2, and the employee may deduct the unreimbursed expenses as allowed by law.
5. Under no circumstances will the church reimburse an employee for business or professional expenses incurred on behalf of the church that are not properly substantiated according to this policy. Church and staff understand that this requirement is necessary to prevent our reimbursement plan from being classified as a 'nonaccountable' plan."

LETTER OF AGREEMENT BETWEEN
(Name of Rector/Vicar)
and The Vestry/Bishop's Committee and Wardens of
(Name of Church, Town, State)

The Vestry/Bishop's Committee and Wardens of _____ (Name of Church) _____, Maine, have called the Rev. _____ (Name of Rector/Vicar) _____ with the understanding that this tenure is to continue until dissolved by mutual consent or by arbitration and decisions as provided by the relevant Canons of the Diocese of Maine and of the General Convention.

PREAMBLE

The members of _____ (Name of Church) _____ agree that the relationship between the Rector/Vicar and the congregation shall be one in which they are joined together in a venture and bond of common faith and purpose. The Rector/Vicar shall lead as presbyter, sharing in the councils of this congregation and of the whole Church, in communion with our Bishop. It is our understanding that _____ (Name of Church) _____ is a baptismal community, the Body of Christ, in which each person is given gifts to do God's work. Therefore, the Rector/Vicar shall support the members of the congregation in living out their baptismal ministry of bearing witness to Christ and carrying on His work of reconciliation in the world. In particular, we expect the Rector/Vicar will be with us to proclaim the Gospel; to administer the sacraments; and to bless and declare pardon in the name of God.

The Vestry/Bishop's Committee accepts the responsibility to lead the congregation in exercising their ministries as God calls them, and in supporting and enabling the ministry of the Rector/Vicar with their time, talent and treasure.

EFFECTIVE DATE AND TERM

It is agreed that this Letter of Agreement shall be effective on the _____ day of _____, 20____ and shall continue indefinitely until termination by mutual agreement of the Rector/Vicar and Vestry/ Bishop's Committee, or in accordance with the canons of the Episcopal Church.

GOALS AND OBJECTIVES

A Mutual Study of Ministry Review that will be completed by _____ (date) _____ will be based on how well the congregation, Vestry/Bishop's Committee and Rector/Vicar have realized the goals and objectives that have been established as listed below:

1. _____
2. _____
3. _____
4. _____

SECTION A – TIMES OF WORK AND LEAVE

1. The Rector's/Vicar's work includes not only activities directed to the support of the baptismal ministry of the congregation and their well-being, but also labors on behalf of the Diocese. The scheduled work week is _____ days (5 days is recommended) which shall include Sunday activities. The Rector/Vicar's scheduled work week is usually measured as ten to twelve units of morning, afternoons or evenings in various combinations reflecting the demands of ministry. In general, no more than three evenings per week are expected. The Rector/Vicar is expected to preserve at least one continuous twenty-four hour period each week solely for personal and family use, with the exception of crisis situations, and to take the full 30 days annual vacation time during each calendar year.
2. The Rector/Vicar will have the following periods of leave at full compensation:
 - a. National holidays, taken at his/her discretion so as not to interfere with worship or major religious festivals.
 - b. Thirty (30) days annual vacation.
 - c. Parental leave after the birth or adoption of a child as provided by Canon 22, Section 4(4) of the Diocese of Maine.
 - d. _____ days education leave which may not be carried into the following year. (the canonical minimum is 10 days)
 - e. _____ days off each week. (2 days recommended).
 - f. Sabbatical leave as provided by the Canon 22, Sec 4(2) of the Diocese of Maine.
 - g. When the Rector/Vicar leaves, prorated unused vacation time for the current year will be paid; sabbatical and continuing education time will not be paid.

SECTION B – COMPENSATION, BENEFITS & EXPENSES

The Vestry/Bishop's Committee will provide the Rector/Vicar with:

1. The total compensation of stipend + housing + social security reimbursement = \$_____ as detailed below:
 - a. An annualized stipend of \$_____ to be paid in equal installments.
 - b. I.) [If there is no Rectory/Vicarage] The Rector/Vicar will receive an annualized housing allowance of \$_____ to be paid in equal installments effective on passage annually in December of a resolution by the Vestry/Bishop's Committee that states the amount of compensation that is to be designated a housing allowance within the meaning of that term as used in Section 107 of the IRS Code of 1986.

II.) [If there is a Rectory/Vicarage] The Rector/Vicar shall have full use of the Rectory at _____ as a personal residence. No parish/mission activities will be planned at this residence without the invitation of the Rector's/Vicar's household. Expenses connected with this residence shall be handled as follows:

- a). All utilities, with the exception of personal long distance telephone calls, will be paid by the parish/mission.
 - b). Expenses for repair or remodeling, and major appliances shall be paid by the parish/mission with the mutual agreement of the Rector/Vicar and the Vestry/Bishop's Committee.
 - c). The Vestry/Bishop's Committee will maintain the Rectory/Vicarage in safe and working order.
 - d). Equity Allowance of _____ as required by Canon 22, Section 4(5) of the Diocese of Maine.
 - e). The Rector/Vicar will receive an annualized housing allowance of \$_____ to be paid in equal installments effective as of passage annually in December of a resolution by the Vestry/Bishop's Committee that states the amount of compensation that is to be designated a housing allowance within the meaning of that term as used in Section 107 of the IRS Code of 1986.
- c. A reimbursement for Social Security in the amount of \$_____ (.0765 of stipend, housing and utilities) which will be added to the salary.
2. A payment to the Church Pension Fund in the amount of \$_____ (18% of stipend, social security reimbursement, housing, utilities and equity allowance) payable in accordance with accepted practices on a basis of not less than quarterly.
4. A continuing education allowance of (amount) per year. (minimum is \$750.)
4. Health and Dental Insurance (with the congregation responsible for at least 90% of the premiums), equivalent to or better than the group plan provided through the diocese and in accordance with Canon 22 of the Canons of the Diocese of Maine. If this position is less than 20 hours a week or 1,000 hours a year, a proportional amount will be contributed towards the Rector's/Vicar's current health and/or dental insurance coverage.
 5. Life Insurance, equivalent to or better than the group plan provided through the diocese. If this position is less than 20 hours a week or 1,000 hours a year, a proportional amount will be contributed towards the Rector's/Vicar's current life insurance policy.

6. Reimbursement of out of pocket expenses such as postage made on behalf of the parish/mission in accordance with the Accountable Reimbursement Plan as approved by the vestry.
7. An expense allowance (up to \$_____ annually) for reimbursement of expenses incurred in the course of professional activities on behalf of _____ Church.
8. The cost of a telephone and Internet connection in the Rector/Vicar's residence. The Rector/Vicar shall pay the cost of all personal long distance calls.
9. Mileage reimbursement at the rate determined by the IRS.
10. Worker's Compensation Insurance.
11. A W-2 form no later than January 31 as required by the IRS.

SECTION C – SUPPLEMENTARY COMPENSATION

The Rector/Vicar will not charge fees for performing any rites of the Church for active members of the congregation, but may, however, receive income from other sources, such as fees and honoraria for professional services performed on personal time for groups unrelated to the church, or for sermons, books, or articles. This income is taxable to the Rector/Vicar.

SECTION D – THE DISCRETIONARY FUND OF _____ (Name of Church) _____

In accordance with the Canons of the Canon of the General Convention, a Discretionary Fund is to be established in the name of the church (with the church tax ID number) under the Rector's/Vicar's sole control, from the following sources: loose plate offering of the _____ Sunday of each month, gifts given to the Discretionary Fund, and/or a designated amount from the operating budget.

The Rector/Vicar will report annually to the Vestry/Bishop's Committee the kinds of situations for which the Discretionary Fund has been used. Recipients of the Discretionary Fund will be known only to the Rector/Vicar.

The Discretionary Fund will be part of the annual audit in accordance with Canon 18, Section 1(5) of the Canons of the Diocese of Maine.

SECTION E – USE OF BUILDINGS

In addition to the use and control of the Church and Parish building(s) for the discharge of the duties of his/her office, as provided by Title III, Canon 14 Section 1 (c) of The Episcopal Church *[For the purposes of the office and for the full and free discharge of all functions and duties pertaining thereto, the Rector shall, at all times, be entitled to the use and control of the Church and Parish buildings with the appurtenances and furniture thereof]*, the Rector/Vicar shall have

the right to grant use of the buildings to individuals or groups from outside the congregation, following the guidelines approved by the Rector/Vicar and Vestry/Bishop's Committee.

SECTION F – REVISION

This Letter may be revised by mutual agreement at the time of the Mutual Study of Ministry or as deemed necessary by the Vestry/Bishop's Committee and Rector/Vicar.

SECTION G – OTHER AGREEMENTS

1. All moving and travel expenses incurred in making the move from _____ to _____ shall be paid by _____ Church. Moving expenses shall include family travel, transporting household good and reasonable temporary accommodations during the move to a maximum of _____.
2. The moving date shall be in the week of _____. The Rector/Vicar shall begin duties in the congregation not later than _____ unless delayed by adverse circumstances.
3. All pay and benefits shall become effective on _____.
4. In the event of the Rector/Vicar's death, the Vestry/Bishop's Committee agrees to continue payment of the Rector/Vicar's stipend and appropriate health and dental insurance to the Rector/Vicar's surviving direct dependents for a period of _____ months (a minimum of 6 months is recommended). It is understood that the Rector/Vicar's dependents will continue to have the use of the Rectory/Vicarage during the above designated period.
5. If the Rector/Vicar and the Vestry/Bishop's Committee are in disagreement concerning interpretation of this Letter of Agreement, either party may seek mediation with a mutually agreed upon third party, with the Bishop remaining the final arbiter regarding the disagreement.

SECTION H – MUTUAL STUDY OF MINISTRY

There shall be an annual discussion and mutual study of the Church's total ministry in order to:

1. Provide the Rector/Vicar, Vestry/Bishop's Committee and the congregation the opportunity to assess how well they are fulfilling their responsibilities to each other and to the ministry they share.
2. Establish goals for the work of the congregation for the coming year.
3. Clarify expectations of all parties including a review and revision of the Letter of Agreement.

A mutually agreed upon third party should be engaged to facilitate the Mutual Study of Ministry process.

SECTION I – FRESH START PROGRAM

The Rector/Vicar shall participate in the Diocesan Fresh Start program for clergy in new cures. The Rector shall enroll as soon as is practical after his or her arrival.

_____	_____
Date	Rector/Vicar
_____	_____
Date	Warden
_____	_____
Date	Bishop

Canon 22

Of Clerical and Lay Employee Compensation (10/25-26/07)

Section 1. There shall be a Clerical and Lay Employee Compensation and Review Committee appointed by the Bishop to recommend to the annual Convention the minimum compensation, expense reimbursement and related matters required by this canon. The Committee shall develop compensation and review guidelines. The Committee shall also serve as a Board of Advice to the Diocese in areas relative to clerical and lay employee compensation, expense reimbursement and related matters. Throughout this canon the term "compensation" refers to salary and benefits accruing to presbyters, deacons and lay employees, while the term "expense" refers to expenditures made by presbyters, deacons and lay employees on behalf of the congregation or Diocese.

Section 2. Each presbyter in full time service shall receive the following compensation:

(1) Total Clergy Compensation of not less than the amount to be prescribed by a majority vote of the annual convention. The Total Clergy Compensation includes:

(a) Cash stipend.

(b) An allowance for housing and utilities, or proper and suitable living quarters with all utilities provided. If living quarters are provided, the value of provided housing as part of Total Clergy Compensation is calculated according to the Church Pension Fund formula detailed in the Clergy Compensation Handbook.

(c) A cash payment equal to one-half the amount of the presbyter's self-employment tax.

(2) Health, dental and life insurance package and Section 125 Cafeteria Plan as approved by Diocesan Council or its designee with congregations responsible for (a) 100% of life insurance premiums; (b) at least 90% of health insurance premiums; (c) at least 90% of dental insurance premiums and (d) the full deductible of a Health Savings Account if selected by the Presbyter. Health and dental insurance will cover the Presbyter and the Presbyter's spouse, domestic partner, children of domestic partner, children, step-children and children for whom the Presbyter is the legal guardian. Presbyters may elect, in writing, to negotiate alternative arrangements.

(3) A minimum annual vacation of 30 calendar days.

(4) Participation in the Church Pension Fund.

Section 3. A presbyter in part time service shall receive compensation as defined in Section 2 based upon that proportional part of the full time standard called for in the agreement he or she has made with the congregation. Vacation and continuing education time shall be the same as for full time presbyters.

Section 4. Each congregation in union with the convention shall provide the following expenses relative to the services provided by the presbyter.

(1) Mileage for church purposes shall be reimbursed at the current IRS rate.

(2) Each presbyter canonically resident in the Diocese shall, following each five year period of service, be eligible for a leave of absence for four months for spiritual and intellectual refreshment and shall be entitled to full compensation during such period of leave, provided however, that no presbyter shall be eligible for such leave of absence unless he or she has served in the position from which he or she would take leave for at least three years. This leave may not be used at the time of termination of employment or retirement, nor may it be accrued. If questions shall arise concerning the proper interpretation of this section, the parties shall consult with the Bishop and the decision of the Bishop shall be final and binding on all concerned parties.

(3) Time and financial assistance shall be provided for continuing education consisting of a minimum of 10 days and \$750 per year.

(4) In the event of childbirth or adoption, clergy shall receive a paid eight week primary care parental leave, or a paid two week non-primary care parental leave, as the case may be, and shall be entitled to up to twelve weeks of total leave, the balance of which need not be paid. This parental leave shall be taken within a reasonable time before or after the birth or adoption of a child. If questions shall arise concerning the proper interpretation of this section, the parties shall consult with the Bishop and the decision of the Bishop shall be final and binding on all concerned parties.

(5) Clergy who live in housing provided by the congregation shall be paid a housing equity allowance equal to at least 3% of the Total Clergy Compensation. These monies shall be invested in a tax sheltered investment account that becomes the property of the clergy person after one year of service.

Section 5. (1) Each congregation shall review annually the compensation to be paid to the clergy in the ensuing year and the expenses relative thereto to the end that fair and suitable compensation and expense reimbursement be provided in line with guidelines established by the Clerical and Lay Compensation and Review Committee.

(2) The Total Clergy Compensation figure established at this review will be sent annually to the Church Pension Fund. In the case of a retired clergy person serving as a Priest-in-Charge, interim or part time rector, the results of this review will be sent to the Clerical and Lay Compensation Committee.

Section 6. The union of the congregation with the Convention and the right of representation may be forfeited by vote of the convention on proof of the failure of said congregation to comply with the provisions of Section 5 of this Canon for two successive years.

Section 7. As used in this Canon, the words vote of this convention shall mean a vote by a majority of both orders.

Section 8. Each lay employee shall receive the following compensation:

(1) Lay employees who are paid for 250 or more hours annually shall receive no less than the Diocesan Lay Minimum Wage. The Diocesan Lay Minimum Wage shall be established annually by the Convention of the Diocese.

(2) Lay employees who are paid for 1,000 or more hours annually shall participate in the Church Pension Fund's Lay Employee Pension Plan and the employer shall make the required employer contributions. Lay employees may elect, in writing, to negotiate alternative arrangements.

(3) Lay employees who are paid for 1,500 or more hours annually shall receive the same health, dental and life insurance and Section 125 Plan as required by this canon for clergy. All lay employees eligible for the benefits of this section shall be allowed the same alternate arrangements as allowed for clergy who have other insurance coverage.

(4) Lay employees who are paid for 1,000 hours or more annually shall receive a minimum of 2 weeks vacation. A vacation week shall equal the average work week. All lay employees who are paid for 1,000 hours or more annually shall receive pay and the day off for all Federal and State holidays which fall on a day which that lay employee would have been scheduled to work.

(5) Lay employees shall be provided the necessary tools for the job at the expense of the employer. Lay employees shall be reimbursed for their business expenses including business mileage at the current IRS rate.

(6) Nothing in this section shall supersede any Federal or State laws regarding employment. Nothing in this canon shall supersede any provision of the Canons of the Foreign and Domestic Missionary Society of the Protestant Episcopal Church of the United States.