

# **CLERGY COMPENSATION POLICY**

## **COMMITTEE REPORT AND PROPOSAL**



### **Diocese of the Midwest, Orthodox Church in America**

The committee, composed of two diocesan council members, Archpriest Andrew Clements and Sam D'Fantis, and Michigan Deanery Dean Archpriest Andrew Yavornitzky, first met with Chancellor Zdinak in January, 2005. Due to various distractions a second meeting, which included Parish Health Facilitator Joe Kormos, was not held until August, 2007.

### **Rationale**

There is no active clergy compensation policy in our diocese. Compensation packages among our clergy reflect no systematic consideration for tenure, education, size of parish or relative fairness. The most recent diocesan policy was established by the late Bishop BORIS in 1985 (which, by the way, requires that a newly ordained and assigned priest receive a minimum of \$800.00 per month in salary). That policy, along with the O.C.A. clergy Compensation Guidelines dating from 1992, became the foundation for this current proposal. Since much of the "package" was already intact, the pressing question for the committee to address was simply "how much money should we pay the priest?" or "what is fair and reasonable compensation to both the Pastor and the parish?"

At the January 2005 meeting the Chancellor and committee agreed that the compensation model for a public school teacher was both viable and desirable. Built into most school district policies were the variables of tenure and education. Demographic and cost of living differences across the diocese could be easily addressed by simply using local school pay scales for each parish. The committee left that meeting with the intention to follow the school model course for a diocesan wide compensation policy, tailoring the school compensation information into our existing package.

At the August 2007 meeting concerns were raised, particularly by the priests, that meeting the costs of the school salary schedules in most of our parishes would simply be impossible at this time. In reviewing the data from the recent clergy compensation survey conducted by Joe Kormos earlier in this year, the anticipated net increase of cost to a parish is quite intimidating. Since a policy which establishes the impossible as a norm is destined to be marginalized and ignored, it was necessary to adjust the model.

The following proposal for your consideration is based on the Medium Household Income (MHI) of the county in which the parish is located. Consideration for tenure is built into the process, while adjustments for parish size are strongly encouraged. A

number of elements of the policy are beyond the scope of diocesan manipulation, e.g. FICA requirements, and O.C.A. mandated pension, life insurance and health care coverage. Additional suggestions for “perks” to a deserving and well respected pastor are also made.

## **Proposed Clergy Compensation Guidelines**

(These are to be considered minimum standards)

- Upon passage at a Diocesan Assembly, the starting salary (cash salary + housing allowance) for a full time newly ordained Priest in the OCA, Diocese of the Midwest, shall be 60% of the current Median Household Income (MHI) of the county in which the Parish resides.
  - Annually, for a maximum of ten (10) years, the Priests salary shall be progressively increased at a rate of four percent (4%). The intent of this annual raise is to bring the salary equal to 100% of the current MHI by year ten.
  - Because of history and location, additional resources, membership and church budget, some Parish’s are able to pay larger salaries.
  
- ❖ Factoring Membership
  - Based on Parish membership the following scale may be used for adding to the starting figure:
    - 0 - 120 add 0%
    - 121 - 160 add 2%
    - 161 - 200 add 2.5%
    - 201 – 300 add 3%
    - 300+ add 3.5%
  
- ❖ Factoring experience
  - In years five (5), ten (10) and fifteen (15), and at each five year anniversary, the Priest’s salary shall be adjusted to the current MHI of the county in which the Parish resides or remain at the Priests current salary, which ever is higher. The increase in years five (5) and ten (10) shall be prorated based on the progressive increases in years 1-10. The Priests salary shall NOT BE ADJUSTED DOWN if the current MHI has dropped or his current salary is higher.
  
- ❖ Cost of Living Allowance (COLA)
  - Beginning at the 11<sup>th</sup> year of priesthood, each year in addition to his salary the Priest shall receive a COLA based on the COLA established by the Social Security Administration. The COLA shall not be compounded year to year, but shall be adjusted each year to match the COLA established by the Social Security Administration.
  - Example: Total salary

- 2007 salary = \$40,000 + 2% COLA (\$800) = \$40,800
  - 2008 salary = \$40,000 + 3% COLA (\$1200) = \$41,200
  - 2009 salary = \$40,000 + 2% COLA (\$800) = \$40,800
- Housing
  - If the Parish does not provide a home for the priest, a portion of his compensation should be designated as 'housing allowance' so as to provide an IRS sanctioned tax benefit.
  - If the Parish provides housing, utility costs will be the paid by the Parish.
    - All Parishes which provide housing are encouraged to establish an \*Equity Allowance Fund.

\*Equity Allowance Fund: An equity allowance fund is NOT a housing allowance. In fairness, there is a need to enable Priests using the Parish house to accumulate some equity that can eventually be used to provide housing, either owned or rented. After a lifetime spent in a Parish house the family may have no assets with which to provide housing. In other words, at death, disability or retirement the Priest's family is on its own without a house or the means to obtain one.

The Parish and Priest shall negotiate an amount not less than 10% of the fair rental value of the rectory for equity allowance. All funds shall be placed into a tax deferred account. In the event the Priest is moved to another Parish, the equity allowance account shall move with him. The new Parish shall contribute their negotiated amount into the account if a rectory is provided. It is recommended to contact a Tax Advisor for assistance in selection of a suitable account and in drafting the paperwork.

- Pension
  - The Parish shall pay into the Priest's pension (retirement) fund annually an amount equal to 6% of the Priest's total compensation.
- Life Insurance
  - The Parish shall pay the premium in full for a \$50,000 Term Life Insurance policy. Parishes are to use LCBA to purchase life insurance.
- Social Security (FICA)
  - The Parish shall pay the employer share of FICA tax. (7.65% of the Priest's total compensation)
- Health Care
  - The Parish is responsible for payment of 100% of the OCA costs for health care.
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- Disability Insurance

- The Parish shall provide long term Disability Insurance for their priest.

- Vacation

- The Priest shall receive vacation time each year based on OCA standards.

Years	1	5	10
Vacation	2 weeks	3 weeks	4 weeks

- Vacation shall include Sundays.
- The Priest is responsible for finding a fill-in Priest to serve during his absence. The Parish is responsible for paying the fill-in Priest at the established rate of pay.

- Moving Expenses

- The Parish is responsible for all (100%) of the moving expenses for incoming Priests

- Reimbursed Expenses

- The following items are to be considered reimbursable expenses of the priest.
  - Phone line (long distance calls *negotiable*)
  - Internet service
  - Mileage
    - ◇ Options
      - The Priest records and submits mileage records and gets reimbursed at the current IRS established rate.
      - The Priest is paid a monthly flat rate for mileage reimbursement.
      - The Parish provides a parish owned vehicle and is responsible for all related expenses.
  - Continuing Education
    - ◇ Parishes are encouraged to provide time and financial reimbursement in their budget for study and continuing education for their Priest. A minimum annual budget line of \$800 is recommended.

- Assemblies, Conferences etc

- The Parish is responsible for all expenses including registration, lodging, travel and meals when the Priest attends:
  - All American Council
  - Clergy Convocation
  - Diocesan Assembly