Clergy Pension Assessment
Explanation and Reasons
June 10, 2020 7:00-8:00 p.m.
An Episcopal Diocese of Fond du Lac Education Course

Purpose
- Clergy Pensions
- Reasons and Explanation
- Common questions
  - What benefits are there in the Church Pension Fund?
  - Does the congregation receive benefits?
  - How is the assessment calculated (and why is it so high)?

Livelihood of Cleric
Congregation accountable for temporal well-being of cleric.
- Stipend and housing allowance
- Few have illusions about financial rewards

Median Income (2018)
- Wisconsin
- Wisconsin family
- Midwest grad. prof
- National avg. med.
- Episcopal, national
- Episcopal, diocese

Clergy & Laity

<table>
<thead>
<tr>
<th>Clergy</th>
<th>Laity</th>
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</thead>
<tbody>
<tr>
<td>Administer Sacraments</td>
<td>Generally, do not administer Sacraments</td>
</tr>
<tr>
<td>Members of diocese</td>
<td>Members of congregation</td>
</tr>
<tr>
<td>Primary audience is the Church</td>
<td>Primary audience is the world</td>
</tr>
<tr>
<td>Make living by vocation</td>
<td>Make living by working (hopefully vocation)</td>
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<tr>
<td>On call 24/7</td>
<td>Generally, not on call 24/7</td>
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<tr>
<td>Dual tax status by law</td>
<td>Depends on job - employee, self-employed, independent contractor. Pays ½ of FICA.</td>
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Clergy Pension Fund
- Implemented by General Convention 100 years ago
- Intent to benefit the whole church
  - Individual won’t become a burden to church or society.
  - Addressed retired clergy and surviving spouses being impoverished.
- Pension Fund Vision
  - “Our clients will have the highest possible level of financial security in retirement that is consistent with exemplary financial stewardship on our part and with the evolving needs of the Church”

Pension Plans
- Defined Contribution Plan
  - contributions/earnings build asset
  - owned by individual
  - retirement income drawn from assets until runs out

- Defined Benefit Plan
  - contributions/earnings pooled asset
  - owned by plan, credit to individual (no asset)
  - Retirement income for lifetime of beneficiary

Worker accessibility - employer sponsored plans
- DC: 64%
- DB: 17%
Clergy Pension Plan

Participants

- Active Clergy
  - 6,000 - average age 54.4
- Retirees receiving benefits
  - 8,235 - average age 75.7
- Surviving spouses receiving benefits
  - 2,723 - average age 79.8
- Ordained: 350 - average age 49.5

Clergy Pension Plan

Benefits

- Group term life insurance (150,000 active, 50,000 retired)
- resettlement benefit (formula based on active service)
- Survivor and child benefit (formula based on reaching full retirement)
- early retirement (based on years of credited service)
- Post retirement medical supplement (Medicare supplement)
- Discretionary COLAs & Christmas benefit
- Short term disability (church pays cleric, church receives benefit payments)
- Long term disability (cleric receives benefits)

Compare Church to Not-for-Profit

$60,000 compensation

- Church assessment 18% = $10,800
- Typical not-for-profit employer' data from Fidelity
  - Employer portion of FICA 7.65% = $4,590
  - Employer contribution to 403(b) 5.9% = $3,540
  - Employer match 403(b) 4.7% = $2,820

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<tr>
<th>Church Pension</th>
<th>Not-for-Profit</th>
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<td>18% or $10,800</td>
<td>18.25% or $10,950</td>
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Additional Sources of Information:
- Clergy Pension Plan Information
- Clergy Pension Administration
  https://www.cpg.org/administrators/retirement/clergy-pension-administration/overview/

For additional questions, clarification, or discussion, contact Matthew Payne at the Diocesan Office at (920) 830-8866 or mpayne@diofdl.org