

**For Pension
Administrators**

 **CHURCH PENSION FUND**
Serving the Episcopal Church and Its People

The Clergy Pension Plan

What Every Pension Administrator Should Know

We depend on you

As Pension Administrator, you are a critical link between the Church Pension Fund (CPF) and the clergy who serve your parish or diocese.

You receive CPF's invoice for the assessment payments that keep your clergy's participation in the pension fund active and up to date. Both CPF and your clergy rely on you for timely payments and accurate information.

By keeping assessments and information current, you ensure that when it's time for clergy to claim pension, insurance and other benefits, they will receive all the benefits they have earned in their years of service to the church.

This reference guide is intended to help you understand clergy pension assessments and how to keep your cleric's pension account current at all times.

A more detailed explanation of pension benefits is available on our website at www.cpg.org, as well as in a guide sent to clergy: *"A Guide To Your Benefits, Now And In The Future,"* which can be downloaded from the website.

For more information, please contact Pension Services at (866) 802-6333; office hours are Monday through Friday (excluding holidays) from 8:30am until 4:45pm ET or email us at benefits@cpg.org.

Who pays assessments?

Title I, Canon 8, Section 3 of the Episcopal Church Constitution and Canons (2003) mandates that church employers pay pension assessments on compensation paid to bishops, priests and deacons. The diocesan or parish treasurer is generally responsible for making the payments.

Assessments are required for clergy serving full- and part-time, as well as those in supply or interim positions, when they are paid an amount of \$200 or more per month, exclusive of travel expenses, for three or more consecutive months.

If a cleric is paid less than \$200 a month or works for less than 3 consecutive months, paying the assessment is optional.

How much does the parish pay?

The current assessment rate is 18% of a cleric's total assessable compensation as defined below.

What compensation is subject to assessment?

For assessment purposes, compensation includes:

Cash stipend: Salary, bonuses, fees, one-time cash payments (such as retirement and Christmas gifts),

tuition paid for dependents, severance and any salary reductions used to fund tax deferred annuities or other tax deferred accounts such as an IRA, 403(b) plan, or RSVP.

Social Security tax reimbursement: Payments to the cleric to offset the cost of self-employment (SECA) taxes.

Utilities: Allowances and direct payments to cover the cost of utilities (fuel, gas, electric, telephone, cable, etc.)

Other amounts: Payments that are taxable under the Internal Revenue Code, as determined by the Plan Administrator.

Housing:

- **If housing is provided rent-free**, compensation for housing is calculated at 30% of the cleric's compensation which includes cash stipend, Social Security reimbursements (SECA offset) and utilities.
- **If housing and meals are provided free of charge**, the housing allowance is calculated at 40% of the cleric's compensation, which includes cash stipend, Social Security reimbursements (SECA offset) and utilities.
- **If the cleric receives a cash housing allowance or a housing equity allowance**, the housing allowance is the actual dollar amount reported.

- If housing is provided rent-free, along with an additional cash housing allowance or housing equity allowance, the housing allowance is imputed at 30% of the total of the cash stipend, Social Security reimbursement, and utilities. Total compensation is then calculated to include the sum of the imputed 30% housing allowance and the actual cash housing allowance, plus the cleric's cash stipend, Social Security tax reimbursements, utilities allowances, etc.
- If the cleric receives compensation from more than one church employer, but only one provides housing, compensation from all qualified employers is assessed for a proportionate share of housing.

Where does the money go?

Assessments are not held in individual accounts. Rather, they are invested in a general fund of pooled contributions from employers of all clergy in the Episcopal Church. With this "defined benefit" plan, benefits are determined at the time of retirement, disability or death, and do not fluctuate due to market performance.

What if payments are late?

Assessments are billed in advance, monthly or quarterly, and are payable when billed. Late payments may jeopardize benefits and may result in interest charges. Monthly reports to diocesan offices include the status of assessment payments and compensation information.

Pension benefits are based on a cleric's years of credited service and highest average compensation. Each assessment payment adds to the cleric's earned credited service. When assessments are unpaid, the cleric's benefit under the Clergy Pension Plan does not accurately reflect his or her actual service to the church.

Remember, a cleric's credited service is not based on years of service to the church, but on years of service for which assessments are paid.

If assessments are unpaid for more than six months, benefits at risk include:

- projected credited service, which affects
 - survivor benefits for the cleric's spouse or named beneficiary if the cleric dies before retirement
 - disability benefits
- benefits for eligible dependent children
- the lump sum death benefit
- the life insurance benefit
- the resettlement allowance

What if the Church Pension Fund's information is incorrect?

We rely on you and your clergy for accurate information about compensation and changes in work and

How do clergy benefit?

Participation in the clergy pension plan offers financial protection for clergy and their families before and after retirement.

Benefits include:*

- a life-long pension at retirement, including the Christmas Benefit each December
- disability protection
- spousal and children's benefits
- pre-retirement survivor benefits
- non-spouse beneficiary options
- a resettlement benefit
- lump sum death benefit

In addition, CPF provides assistance with medical costs in retirement and life insurance benefits for participating clergy.

**Subject to vesting and other eligibility requirements*

family status. Incorrect information places benefits at risk. Each assessment notice you receive provides space for compensation updates and employment changes.

An Annual Certificate is sent to clergy in the first quarter of each year to verify the compensation on record for the previous year, service earned and assessment status. Every fall, clergy receive a Personal Information Summary to verify such information as name, address, beneficiary's name, etc., as well as compensation and credited service. The Personal Information Summary also provides each cleric with an estimate of his or her retirement benefit. **After two years, corrections to compensation and unpaid assessments cannot be accepted unless unusual and extraordinary circumstances apply.**

How do we report changes in compensation?

Changes in compensation must be reported in writing on the Assessment Notice (section 3) or the Change in Compensation Form (available for download at www.cpg.org/pensions/forms).

What should I do if the assessment notice is inaccurate?

Contact Customer Service at (866) 802-6333. We'll re-compute the assessment for you and issue a corrected assessment notice.

What should I do when a new cleric joins our staff?

Sometimes the cleric or former parish notifies CPF, but it's always best for you to verify the information with us. Call Pension Services at (866) 802-6333.

Can we increase retirement benefits by paying more than CPF assesses?

No. Pension benefits are generally based on credited service and highest average compensation over a period of consecutive years. Inflating a salary to achieve a higher calculation rate would compromise the fund and destroy the fairness of pooling contributions. (Parishes wishing to supplement a cleric's financial security in retirement may select from a wide range of investment products available in the market. Church Life Insurance Corporation offers several such products.)

Do assessments end when a cleric's duties terminate?

Yes, if compensation ends on the same date. However, when compensation continues under a severance agreement or sabbatical arrangement, or is expected to resume with new employment after a period of time, the possibilities for retaining active status in the fund vary. Including the Church Pension

Fund in the planning process will help your parish and the cleric make informed decisions under special circumstances.

Can a cleric keep working in the church after retirement and continue to receive benefits?

Yes, under certain conditions. To maintain benefits, work may not occur in the church or institution from which the cleric has retired. Total compensation may not exceed 50% of the median compensation of all US clergy, an amount which varies annually. No further pension assessments are due if a cleric is receiving pension benefits and meets the guidelines outlined above.

The income limits only apply to work performed within the Episcopal Church. They do not apply to secular employment. Further, they are not related to the income limits imposed by the Social Security Administration.

Useful Terms

Assessment

An amount currently equal to 18% of your cleric's total assessable compensation. Assessments are payable in advance and are billed on a quarterly, or monthly basis.

Retirement Benefit

Life-long payments made by CPF to a cleric in retirement or in the event of total and continuing disability.

Survivor's Benefit

Payments to an eligible surviving spouse, pre-retirement survivor, other named beneficiary and /or eligible dependent children following the death of a cleric.

Assessable Compensation

The total of the cleric's cash stipend, Social Security (SECA) offset, utility allowances or payments, housing allowance, and other taxable income as determined by the Plan Administrator.

Credited Service (CS)

The time for which full assessments have been paid on compensation. One year of CS is earned for each calendar year in which we receive assessments for full-time work. A partial year of CS is earned for a year of part-time work or full-time work for only part of a year.

Highest Average Compensation (HAC)

Generally, the average of the highest-paid seven out of eight consecutive 12-month periods during which a cleric participated in the Clergy Pension Plan.

Projected Credited Service (PCS)

The actual credited service earned plus the additional credited service that would have been earned if the cleric continued to work for the church and remained active until age 65.

If you're already familiar with the Clergy Pension Plan, we hope this will be a handy reference. Keep in mind this guide is only a summary of the Clergy Pension Plan and the way it applies to most clergy. Individual situations may differ in some detail from those described in this guide, and you may have questions about your own situation. To discuss your specific circumstances, contact Pension Services at (866) 802-6333; Monday through Friday (excluding holidays) from 8:30am until 4:45pm ET, or email us at benefits@cpf.org.

Please note that this guide is provided to you for informational purposes only and should not be viewed as investment, tax or other advice. In the event of a conflict between the information contained in this guide and the Official Plan Document, the Plan Document will govern. The Church Pension Fund and its affiliates retain the right to amend, terminate or modify the terms of any benefit plans described in this guide at any time, without notice and for any reason.



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