

## **Lay Employees – Status of Benefit Provisions**

### **A Report from the Lay Benefits Task Force and CPG Staff**

Although the church has, for many years, been conscious of the enormous contribution made by its lay employees, it might be appropriate to call the 1990's "the decade of concern" in this regard. There were resolutions concerning pension benefits for lay employees passed at both the 69<sup>th</sup> and 70<sup>th</sup> General Conventions (1988 and 1991), and the 70<sup>th</sup> Convention also urged congregations to provide other employee benefits to their lay employees. The text of these resolutions is included at the end of this section. Spurred by these resolutions, there has been much discussion during the ensuing decade about compensation and benefits for lay employees, and much progress has been made. Nevertheless, the implementation of these resolutions remains an issue throughout the church. At the 1999 Diocesan Administrators' Workshop, hosted by the Church Pension Group and attended by administrators from 69 dioceses, concern for lay employee benefits was palpable. Those in attendance formed a Lay Benefits Task Force, and the Church Pension Group agreed to provide funding and staff support for their work. The task force set out to study the scope of benefits being offered to lay employees working in congregations.

In October of 2001, the task force surveyed our 7,000+ congregations, and almost half responded. Analysis confirmed that the responses received provided a representative sample, thus allowing us to draw conclusions across the whole of the Episcopal Church.

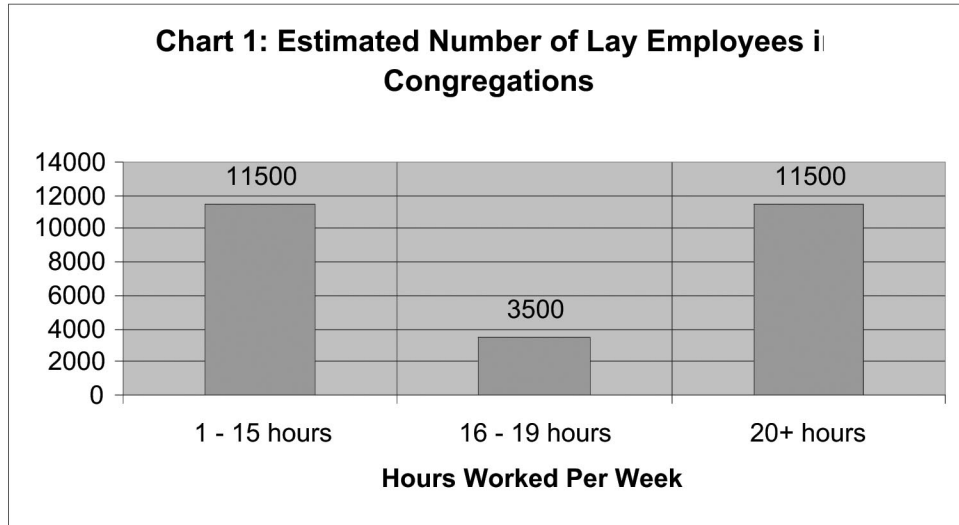
Additionally, for other purposes, the Church Pension Group fielded a survey of its clients, including a portion related to lay employees, in which demographic and income questions were asked. Combining data from these two surveys, as well as information from the parochial report and benefit information from programs administered by the Church Pension Group, provides an excellent understanding of the lay employee population and benefits provided.

#### **NUMBER OF LAY EMPLOYEES AND WHERE THEY WORK**

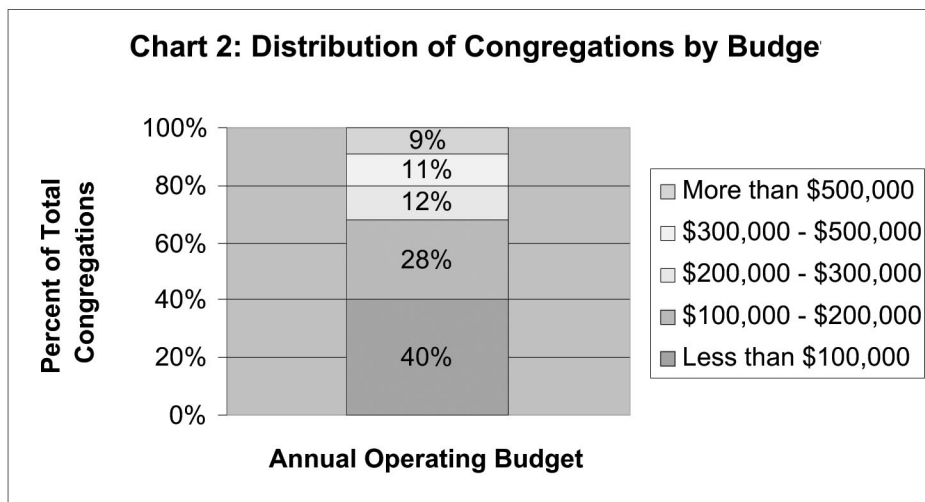
We began our analysis by estimating the number of lay employees in the Episcopal Church and the hours worked each week. We estimate that 20% of our congregations have no lay employees. 85% of these congregations without lay employees have an annual operating budget of less than \$100,000.

For statistical purposes, we defined full time employees as lay employees who work 20 hours or more per week and part time employees as lay employees who work 1 to 19 hours per week. The task force included a category of 16 to 19 hours to estimate how many employees have defined workweeks that fall just short of the requirement for most benefits.

Chart 1 estimates the number of lay employees in congregations (includes day school employees on the congregation's payroll) to be 26,500, with nearly 12,000 of them working full-time. Of particular surprise was the large number working 16 to 19 hours per week and the nearly 12,000 working part-time. For the most part, these 15,000 employees do not qualify for benefits.



Church budgets often determine a congregation's ability to hire lay employees, either full or part time, and to provide them with benefits. Chart 2 provides an estimate of the percentage of congregations by total operating budget. Over two-thirds of our congregations have an annual operating budget of \$200,000 or less.



It is not surprising that most lay employees work in our larger congregations. Chart 3 shows the estimated number of full and part-time employees in each congregational budget category. Even our largest churches have substantial

numbers of part-time employees, and our smallest congregations are staffed with more part-timers than full-time assistance.

**Chart 3: Estimated Number of Lay Employees by Budget Size**

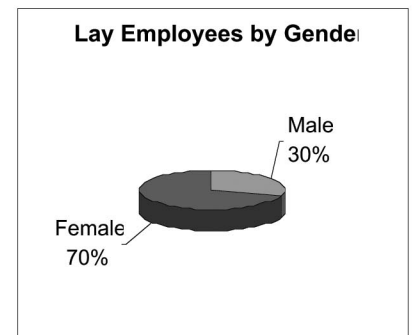
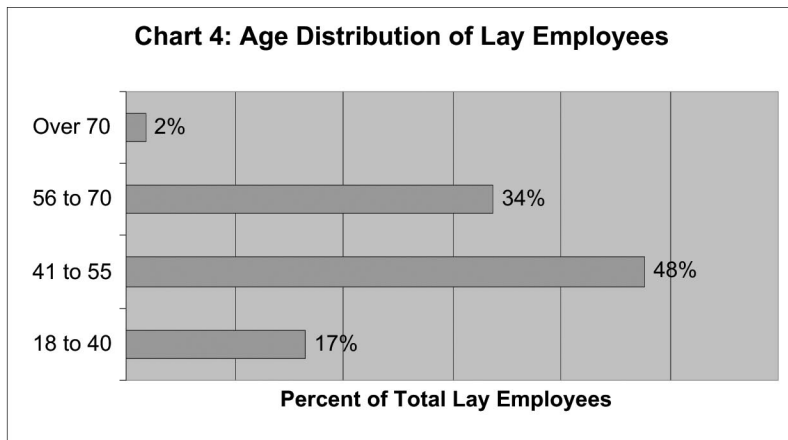
<i>Annual Operating Budget</i>	<i>Estimated Number of Congregations</i>	<i>% of all Congregations</i>	<i>Estimated Number of Part Time* Employees</i>	<i>% of all Part Time</i>	<i>Estimated Number of Full Time* Employees</i>	<i>% of all Full Time</i>	<i>Estimated Total Number of Employees</i>
Less than \$100,000	2.944	40%	1,950	13%	690	6%	2,640
\$100,000 - \$200,000	2.061	28%	3,798	25%	3,385	29%	7,133
\$200,000 - \$300,000	883	12%	1,990	13%	2,530	22%	4,520
\$300,000 - \$500,000	809	11%	2,470	16%	2,760	24%	5,230
More than \$500,000	662	9%	4,792	32%	2,185	19%	6,977
<b>Total</b>	<b>7,359</b>	<b>100%</b>	<b>15,000</b>	<b>100%</b>	<b>11,500</b>	<b>100%</b>	<b>26,500</b>

\*Full time work is 20 hours or more per week; part-time is 19 hours or less

While compensation and benefits is of concern for all who work for pay, the task force centered its focus on full time employees who work 20 hours or more per week.

**DEMOGRAPHICS and INCOME**

Combining data from our three data sources, we know that most lay employees are women, with an average age of 50, married, and earning approximately \$25,000 per year. Based on tenure of participants in our lay pension plans, it appears as though the majority begin their employment with the Episcopal Church as a second or later career.



On average, women earn less than men do (Chart 6). Note that these figures make no attempt to characterize the credentials of the individuals or characteristics of different jobs – our lay employees may or may not meet the “equal pay for equal work” objective. The median salary for all female lay employees is \$23,172, while men have a median salary of \$26,536. Of particular note is the pattern of pay for men by age group and the significantly lower pay for our male and female employees who continue to work past age 70. This may indicate a reduced number of hours (though still 20 or more per week) or substantially different responsibilities.

<b>Chart 6: Median Compensation by Gender and Age</b>			
<i>Gender</i>	<i>Age of Employee</i>	<i>Median Compensation</i>	<i>% of Total Employees</i>
Female	18 to 40	\$24,296.94	10.7%
	40 to 55	\$23,448.50	33.7%
	55 to 70	\$24,154.68	24.7%
	Over 70	\$16,380.00	1.2%
	Total	\$23,712.00	70.3%
Male	18 to 40	\$29,530.83	5.8%
	40 to 55	\$27,548.00	14.0%
	55 to 70	\$24,274.43	9.1%
	Over 70	\$14,976.50	.7%
	Total	\$26,536.50	29.7%
Total	18 to 40	\$25,740.00	16.5%
	40 to 55	\$24,720.00	47.8%
	55 to 70	\$24,218.84	33.8%
	Over 70	\$15,600.00	1.9%
	Total	\$24,585.00	100.0%

One might ask if these median compensation levels are competitive with comparable jobs in the community; it is not possible to determine from the data available if the majority of positions are 20-25 hours per week or 35-40 hours, which would be more common in secular jobs.

Length of service does not seem to influence compensation. Chart 7 shows relatively little difference in median compensation by service levels, although men with more than 20 years of service earn 25% more than the average. Note in particular that two-thirds of our lay employees have worked in the church for ten years or less. Is there a correlation between overall pay level and this relatively short tenure? Would higher pay (and better benefits) extend the service levels of our best lay employees and have a net value added to our churches? It is not possible to tell from the data, but may be important for the church to discuss. Tenure and pay are the two most important elements in determining eventual retirement benefits, to which we will turn shortly.

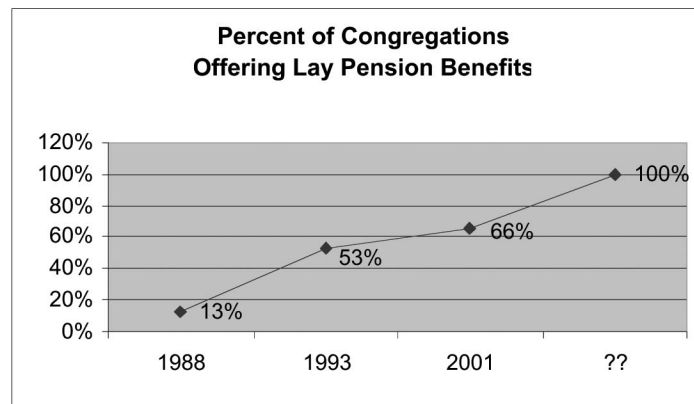
<b>Chart 7: Median Compensation by Years of Service</b>			
<i>Gender</i>	<i>Years of Service</i>	<i>% of Total Lay Employees</i>	<i>Median Salary</i>
Female	1 to 5 years	24.8%	\$24,205
	5 to 10	23.2%	\$23,660
	10 to 15	10.6%	\$22,630
	15 to 20	6.9%	\$24,226
	20 and over	4.7%	\$23,279
	Total	70.3%	\$23,700
Male	1 to 5 years	10.3%	\$26,840
	5 to 10	8.5%	\$25,708
	10 to 15	4.9%	\$25,707
	15 to 20	3.0%	\$24,819
	20 and over	3.0%	\$30,196
	Total	29.7%	\$26,536
Total	1 to 5 years	35.2%	\$25,000
	5 to 10	31.7%	\$24,115
	10 to 15	15.5%	\$23,645
	15 to 20	9.9%	\$23,310
	20 and over	7.7%	\$25,415
	Total	100.0%	\$24,585

Sixty-two percent of all lay employees live in a dual income household. While the median household income before taxes is \$59,300, 40% have less than \$50,000, and lay employees bring in 42% of household income, on average. Not surprisingly, families of lay employees in the smaller and medium congregations have less income than those in large churches or dioceses – a median of \$50,300 versus \$57,100 and \$65,000, respectively.

<b>Household Income</b>		
Household Income Before Taxes	Under \$50,000	40%
	\$50,000-\$99,000	44%
	Median	\$59,300
	Mean	\$67,300
Dual Income Households		62%
Percent of Income from Lay Employee		42%
Median Household Income by	Small/Medium	\$50,300
Size of Congregation	Large	\$57,100
	Diocesan Offices	\$65,000

## LAY EMPLOYEE BENEFITS PROVIDED

How well has the church done in implementing the 1991 mandate to provide pension coverage for all full-time lay employees? A survey of lay employee benefits in 1988 (before the mandate) indicated only 13% of congregations with eligible lay employees offered a pension plan. A follow-up survey in 1993 found that number had increased substantially to 53%; the 2001 survey found that two-thirds of congregations with eligible lay employees were now providing pension benefits. Since larger congregations with multiple lay staff are more likely to offer coverage, we estimate the number of eligible lay employees being offered pension benefits in 2001 was 80%.



While the increase in the number of congregations providing pension benefits indicates progress, it continues to fall short of the intentions expressed in the 1991 General Convention resolution. Why have the congregations not reached 100% of eligible lay employees receiving lay pension benefits? The major reason given on the survey was insufficient budget.

<b>Percent of Congregations Indicating Cannot Afford Pension Benefits by Size of Congregation</b>	
<i>Annual Operating Budget</i>	<i>Percent of Congregations</i>
Less than \$100,000	15%
\$100,000 - \$200,000	54%
\$200,000 - \$300,000	20%
\$300,000 - \$500,000	9%
More than \$500,000	2%
Total	100%

Often the smaller congregations find it difficult to pay fixed operating costs in addition to clergy compensation and benefits. Comments such as the following made by individuals completing the survey indicate the severity of this financial pressure.

- *“We couldn’t possibly afford more benefits.”*

- *“Our budget could not support payment of any benefits to lay employees.”*
- *“Some of our employees were not offered benefits due to budget constraints.”*
- *“Current employees have chosen not to participate in pension and medical plans because they would have to pay the full cost.”*
- *“Unfortunately, our lay employees are lucky to get a paycheck.”*

Of those congregations providing pension benefits, there is a wide variation in the percentage of employer contributions, though most adhere to the provisions of the General Convention Resolution D165a:

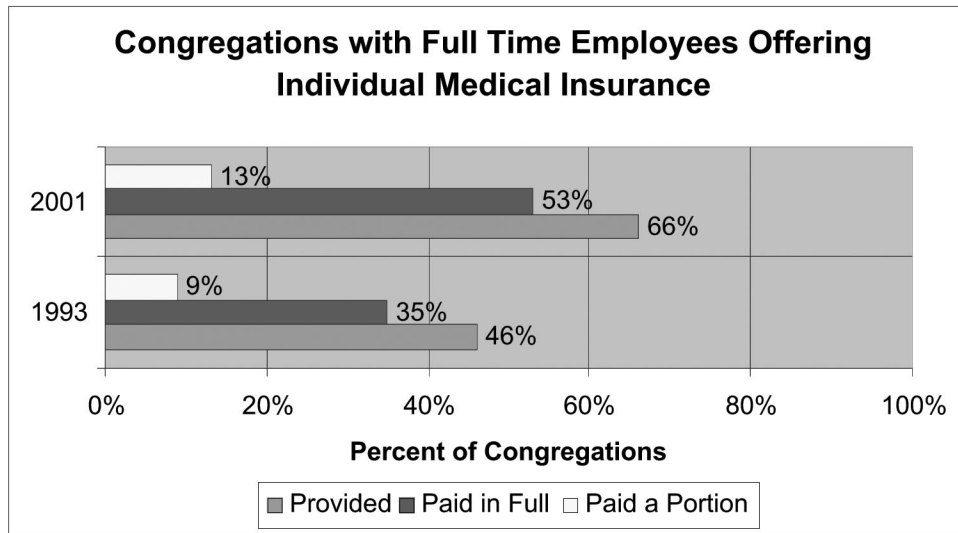
<b>Pension Provisions for Full Time Lay Employees Serving in Congregations</b>		
	<i>Survey Results</i>	<i>CPG Experience</i>
Of all congregations providing pension benefits to full time lay employees; type of pension provided:		
Defined Benefit	36%	39%
Defined Contribution	77%	72%
Defined Benefit Provision:		
Less than 9% of Pay	12%	0%
9% of Pay	71%	99%
More than 9% of Pay	6%	1%
Defined Contribution Provision:		
Base: Less than 5% of Pay	7%	1%
5% of Pay	71%	79%
More than 5% of Pay	23%	12%
Match: Less than 4% of Pay	9%	16%
4% of Pay	79%	82%
More than 4% of Pay	12%	1%

Note: Some congregations offer both defined benefit and defined contribution plans. Also some congregations supplement the defined benefit plan with contributions to the Defined Contribution Plan or Retirement Savings Plan (RSVP).

A comparison of the results from the survey and the data pulled from the records of those covered by one of the Church Pension Group’s retirement plans shows the contributions to the Church Pension Group’s plans more closely conform to the General Convention resolution on lay pensions. While not all full-time lay employees with pension coverage are being provided with benefits that completely meet the standards set out in the resolution, it is heartening to note that survey results indicate 77% of those in defined benefit plans and over 90% in defined contribution plans are at or above this level. This indicates substantial progress.

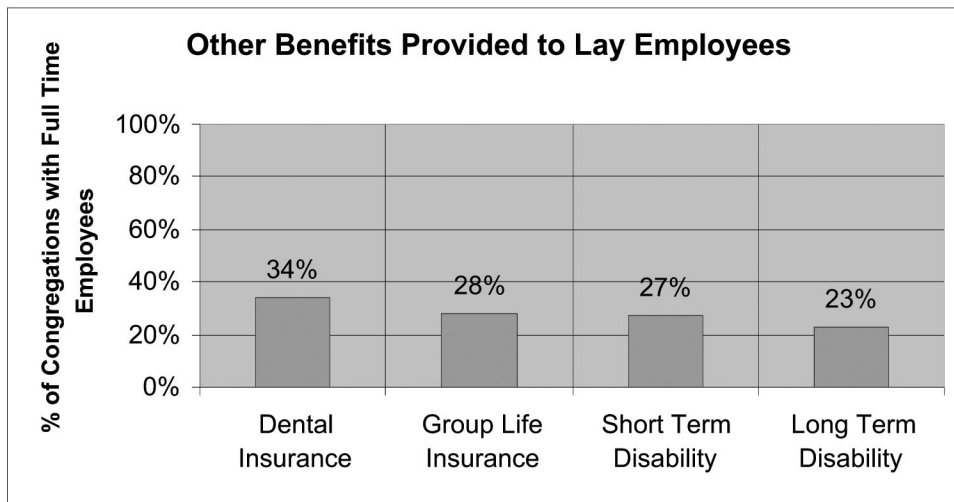
Substantial progress has also been made in the provision of medical insurance. The 1993 survey found that only 46% of congregations with full-time lay

employees offered health care benefits, with only 35% paying for this coverage. The 2001 survey indicates a substantial increase.



Pension and medical insurance are the two most expensive benefits to provide and the two most sought after by employees. It is great news to see such substantial progress in each case, recognizing that we still have a ways to go.

Looking at other benefits provides a different picture:



Dental insurance is provided on a less frequent basis than medical insurance. Only 34% of congregations with eligible employees provide this coverage for the employee.



The 1993 survey indicated that 26% of the congregations with full time lay employees provided group life insurance. In 2001 this figure had risen only slightly to 28%. The scant progress made in the provision of life insurance is especially worrisome. Although the Defined Benefit Retirement Plan offered by the Church Pension Group now has a death benefit provision, most plans do not, and Defined Contribution Plans by their very nature only provide whatever the vested account balance is at the time of the employee's death. The Church Pension Group records show that the average account balance for our lay participants is \$15,483.

Statistics tell us that between the ages of 35 and 65 we have a 30% chance of becoming disabled and unable to work for 90 days or longer. Although the Defined Benefit Retirement Plan offered by the Church Pension Group has a modest long term disability provision, most plans do not, and Defined Contribution plans only provide the vested account balance. Even though our Long Term Disability plan has only been available since March 2001, we expected to see a higher percentage of employees receiving this much-needed benefit. Similarly, a congregation's work, plans and budget can be badly impacted when an employee becomes temporarily disabled for more than a few days or weeks. Short-term disability insurance can provide security for the employee and the congregation.

## **EMPLOYEE PERSONNEL POLICIES**

The 2001 survey further revealed an alarming lack of written personnel policies to cover employee benefits in congregations. Comments from the survey such, as "*Benefits are determined independently for each employee. There are no fixed policies,*" reflect the need for education in the area of employment policies. Almost one-third of congregations with an operating budget over \$500,000 indicated they do not have written personnel policies, with that percentage increasing with smaller congregations. Education is still needed to encourage the development of personnel policies, which will lead to implementation of fair and just policies for all employees, and can forestall potential discriminatory practices.

<b>Congregations With Written Personnel Policies</b>	
<i>Annual Church Budget</i>	<i>% With Written Policies</i>
Less than \$100,000	18%
\$100,000 - \$200,000	26%
\$200,000 - \$300,000	40%
\$300,000 - \$500,000	48%
More than \$500,000	71%

## CONCLUSIONS AND QUESTIONS

Our work during this triennium, supplemented by the efforts of the Lay Benefits Task Force, shows real progress has been made across the church during the decade in the recognition of the need for and the provision of benefits for full-time lay employees. There is, certainly, much work remaining. The 2001 survey of congregations generated numerous requests for information about the 1991 General Convention lay pension resolution and availability of products and services to meet the mandate. Education of congregational leaders and lay employees themselves will continue to be a real need and focus for CPG. Planning for Tomorrow conferences for lay employees are now planned in some parts of the country; financial planning materials are available through our website ([www.cpg.org/life\\_planning](http://www.cpg.org/life_planning)), tailored to the needs of lay employees. We encourage the leadership of each congregation and diocese to assist in broadening the educational reach and in providing the opportunity for lay employees to attend Planning for Tomorrow conferences and other educational seminars. Additionally, we encourage each diocese to formulate uniform benefit policies for their congregations to further the knowledge about benefits and to reduce the risk of discriminatory practices.

While the scope of the Lay Benefits Task Force's work was restricted to lay employees, the disparity between benefits for lay employees and clergy was noted. Additional work is needed to address this issue. Career patterns are often different for lay employees than clergy, and may vary greatly by type of lay position. As we strive for equity, should the benefit plans be identical for clergy and lay employees? Would it make sense for the pension fund to redefine eligibility for the "clergy pension plan" to include "lay ministers?" How might such a redefinition be implemented? Some have argued that such a redefinition would lead to two classes of lay employees and might foster discrimination. Would it make sense to provide access to different benefit options, including flexible benefit accounts, for lay employees?

Regardless of the vehicle used to provide retirement benefits, length of service and compensation level are drivers of the amount available for pension and other post-retirement benefits. Providing a "livable benefit" will continue to be a challenge among a workforce with median salary less than \$25,000 and average tenure less than 10 years. Are there particular groups of lay employees – job classifications, for instance – that we as a church should be most concerned with?

The Lay Benefits Task Force did not address the issues surrounding work in church schools, conference centers, and other institutions, which, though important, present a wholly different set of circumstances. Additional work to research and report the status of benefits available to the employees of these institutions may be appropriate.

We have mentioned the work of the Lay Benefits Task Force a number of times throughout this report. We wish to formally acknowledge the valuable contribution and dedication of the members of that task force and thank them for volunteering their time, professional wisdom, and insight to this project over a two-year period.

Lay Benefits Task Force:

Jim Forsyth (Chair), Diocese of California

Bonnie Bernardy, Diocese of North Dakota

Jon Boss, Diocese of Southern Ohio

Terri Denicke, Diocese of Missouri

Pamela Kepler, Diocese of Northern California

We hope that this report will add information to the conversation and decision-making around the church regarding compensation and benefits for lay employees working in congregations. We applaud those churches which have improved benefit provision over the past decade and encourage others to begin, perhaps one step at a time, to implement the General Convention resolutions passed a decade ago.

## **GENERAL CONVENTION RESOLUTIONS**

**The following resolution was passed at the 69<sup>th</sup> Convention of the Episcopal Church in 1988:**

*Resolved*, the House of Bishops concurring, that all units of the Episcopal Church under ecclesiastical authority in the United States are encouraged to provide for all lay employees who work over 1,000 hours annually retirement benefits through participation in the Episcopal Church Lay Employees Retirement Plan (ECLERP) or in a noncontributory, defined benefit plan, the provisions of which are at least equal to those of ECLERP by January 1, 1989, but recognizing the need for a transition period, no later than January 1, 1990; and

*Further Resolved*, The Church Pension Fund and its subsidiaries be authorized and requested to conduct an employee census to include: name, date of birth, date of employment, number of hours worked annually, and similar information deemed appropriate as to each such lay employee, and to provide a summary of such census data for the Diocese concerned to the Bishop or other ecclesiastical authority of such Diocese, and

*Further Resolved*, that the Bishop or other ecclesiastical authority of each Diocese be requested to cause such census data for each employing unit in such Diocese to be furnished to The Church Pension Fund promptly upon request therefore by the Fund; and

*Further Resolved*, that the Church Pension Fund be requested to report its findings and suggestions for the implementation of a mandatory pension plan for lay employees of the Episcopal Church to the 70<sup>th</sup> General Convention, together with a proposal for amendment to the Canons deemed necessary or appropriate to authorize the implementation of such mandatory pension plan for lay employees; provided, however, that the Fund may also report any findings and suggestions with respect to other employee fringe benefits for employees.

**The following resolution D165a was passed at the 70<sup>th</sup> Convention of the Episcopal Church in 1991:**

*Resolved*, the House of Bishops concurring, That all Parishes, Missions, and other ecclesiastical organizations or bodies subject to the authority of this Church, and any other societies, organizations or bodies in the Church which under the regulations of the Church Pension Fund have elected or shall elect to come into the pension system, shall provide all lay employees who work a minimum of 1,000 hours annually retirement benefits through participation in the Episcopal Church Lay Employees Retirement Plan (ECLERP) or an equivalent plan, the provisions of which are at least equal to those of ECLERP. Such participation shall commence no later than January 1, 1993. At this commencement, if the plan is a defined benefit plan, the employer contribution shall be not less than 9 percent of the employee's salary; if the plan is a defined contribution plan, the employer shall contribute not less than 5 percent and agree to 'match' employee contributions of up to another 4 percent; and be it further

*Resolved*, That the employer may impose a minimum age of 21 years and a minimum employment period not to exceed one year of continuous employment before an employee would be eligible to participate; and be it further

*Resolved*, That the Trustees of the Church Pension Fund shall have authority to increase or decrease the contribution percentages required for the lay pension plan; and be it further

*Resolved*, That each diocese of this Church shall implement this resolution by Diocesan Canon or appropriate resolution.

**The following resolution A137s to provide certain lay employees with health and life insurance benefits was passed at the 70<sup>th</sup> Convention of the Episcopal Church in 1991:**

*Resolved*, the House of Bishops concurring, That all parishes, missions, and other ecclesiastical organizations or bodies subject to the authority of this Church, and any other societies, organizations, or bodies in the Church which under the regulations of the Church Pension Fund have elected or shall elect to come into the pension system, be encouraged to provide for all lay employees who work a minimum of 1,000 hours annually health and life insurance benefits

that are comparable to those provided to active clergy in the jurisdiction; and be it further

*Resolved*, That all dioceses be encouraged to allow employees of parishes and other units under ecclesiastical authority to participate in diocesan health and life insurance benefit programs; and be it further

*Resolved*, That the Church Pension Fund and its subsidiaries be requested to conduct a study and make recommendations to the 71<sup>st</sup> General Convention concerning the implementation of a comprehensive employee benefits program for lay church employees.