

## General Convention Resolution 2018-A237 Report Summary from The Church Pension Fund

In 2018, the General Convention of The Episcopal Church passed [Resolution 2018-A237](#) urging The Church Pension Fund (CPF) to:

- Report on the current state of parity between the pensions of lay and ordained Church employees, domestic and non-domestic Church employees, and Church employees of disparate incomes, with a particular focus on how income disparities are manifested across gender and racial or ethnic lines, understanding that working income directly affects pension benefits;
- Consider supplemental models for the pension system that would benefit lay and clergy employees while the Church works toward true parity in wages and employment practices; and
- Present its findings to the 80th General Convention.

This report is part of a broader effort to explore issues of parity in compensation and benefits across the Church. Specifically, this report looks at how compensation disparities lead to pension disparities and builds upon previous studies of parity between clergy and lay employees, including the following:

- [Report for Resolution 2015-A181](#), which studied compensation and costs for clergy and lay employee benefits in international dioceses; and
- [Report for Resolution 2018-D045](#), which studied necessary steps for providing pension equity for clergy and lay employees.

A summary of the major findings from 2015-A181 and 2018-D045 is included in this report, along with insights and perspectives from listening events and financial literacy assessments.

While the considerations outlined in this and related reports provide a range of options for increasing pension parity, they do not offer solutions to the income disparities that exist among various populations in the Church. It is important to note, as suggested by the resolution itself, that issues of parity cannot simply be addressed through pensions and other retirement benefits without addressing compensation disparities.

In writing this report, CPF is not recommending a particular approach or model for change. Our goal is to help the Church continue important conversations about parity. We are happy to support these conversations with the data and expertise we can share, and we will support whatever pension model or models the Church deems best to suit its evolving needs.

### Defining Parity

To determine the Church's current state of parity as it relates to compensation and retirement benefits, it is important to define what parity means. By definition, "parity" is the quality or state of either of the following:

- **Equality**, which means the value and type of benefit must be the same for everybody.
- **Equivalence**, which means the value of the benefit must be the same, but the type of benefit can differ.

For the purposes of this report, CPF is viewing parity through the lens of equivalence, because we have heard and observed that the Church's diverse workforce benefits from different approaches to pensions.

## High-Level Summary of Findings

- Compensation disparities within the Church result in pension disparities.
- The pension plans the Church Pension Group (CPG) currently makes available contain models that allow for opportunities to address disparity of income in retirement. CPG is happy to continue our support to the Church and church employers in their discussions and decisions about the level of employer contributions and/or benefits provided in these retirement plans.
- Ninety-six percent of Episcopal Church employers in the United States offer some form of pension to active lay employees. Of those, an estimated 90% offer The Episcopal Church Lay Employees' Defined Contribution Retirement Plan (Lay DC Plan) and 10% offer The Episcopal Church Lay Employees' Retirement Plan (Lay DB Plan) to active employees.
- Average combined employer and employee contributions in the Lay DC Plan are approximately 13%, which is considerably higher than industry benchmarks.
- Because they are legally separate plans, federal and state laws prevent the moving of assets from The Church Pension Fund Clergy Pension Plan (Clergy Pension Plan) to the Lay DB Plan, and vice versa.
- Compensation disparities are most evident between clergy and lay employees and between male and female clergy. The data received about race and ethnicity, while not a complete picture of the Church, does not overall show significant disparities in clergy compensation and in Clergy Pension Plan benefits. But we do see a larger range of compensation outcomes for clergy of color with an over-representation in both lower and higher compensation categories.
- As highlighted in our report to Resolution 2015-A181, clergy compensation is below market in most of the non-domestic dioceses studied.
- Listening events, held with clergy and lay employees from a wide range of demographic categories, provide input that is generally consistent with the data in this report and point to various factors that affect current and long-term compensation and benefits. Such factors include, but are not limited to, unequal opportunities, lower compensation, inconsistent or lack of mentoring and advocacy, and unfamiliar polity and practices.

### Assets Cannot be Moved from One Plan to Another

Because they are legally separate plans, federal and state laws prevent the moving of assets from the Clergy Pension Plan to the Lay DB Plan, and vice versa.

## Defined Benefit vs. Defined Contribution Plans

As background, CPG provides access to both defined benefit and defined contribution plans for the clergy and lay employees of the Church:

- Churches are required to pay assessments equal to 18% of Total Assessable Compensation\* for all eligible clergy in the Clergy Pension Plan or the International Clergy Pension Plan (ICPP).
- In 2009, [General Convention Resolution 2009-A138](#) created a mandatory Lay Pension System that requires employers to pay at least 9% in assessments for eligible lay employees in the Lay DB Plan. It requires employers to contribute a minimum of 5% of assessable compensation for eligible employees in the Lay DC Plan, and to match up to 4% of each employee's contributions. Employers choose whether they want to offer the Lay DB Plan or Lay DC Plan, and they can contribute higher total amounts than 9% to lay employee retirement accounts if they choose. Employers may increase employer contributions through the Lay DC Plan or supplement the Lay DB Plan by contributing to The Episcopal Church Retirement Savings Plan (RSVP).
- Ninety-six percent of Episcopal Church employers in the United States offer some form of pension to active lay employees. Of those, an estimated 90% offer the Lay DC Plan and 10% offer the Lay DB Plan to active employees.
- RSVP is available as a supplemental savings plan for clergy and lay employees who participate in one of CPF's defined benefit pension plans.

### About 5% of Lay Employers Contribute More Than the Required Minimum in the Lay DC Plan

One hundred sixty-three employers (about 5% of all employers participating in a Lay DC plan) currently contribute from 10% to 20%.

\* Total Assessable Compensation includes:

1. Base salary (excluding housing) and scheduled taxable cash payments, including SECA tax reimbursements and tuition paid for dependents (if taxable)..
2. Cash housing allowance and/or utilities.
3. Employer contributions to a qualified and/or non-qualified plan. This includes employer contributions to a qualified defined contribution plan, such as a 403(b) or 401(k) plan. This does not include assessments paid to CPF.
4. Taxable one-time payments (applies to month when paid).
5. The value of employer-provided housing, which equals 30% of the sum of #1 through #4 above. (However, if the sum of #1 through #4 above is less than the Hypothetical Minimum Compensation, the value of employer-provided housing equals 30% of the Hypothetical Minimum Compensation.)

Following is an overview of how these plans typically work and how compensation can affect retirement benefits under the plans:

	Defined Benefit Plan	Defined Contribution Plan
<b>Church plans:</b>	<ul style="list-style-type: none"> <li>• <i>Lay DB Plan</i></li> <li>• <i>Clergy Pension Plan</i></li> <li>• <i>ICPP</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Lay DC Plan</i></li> <li>• <i>RSVP</i></li> </ul>
<b>How it typically works:</b>	<p>In a typical defined benefit plan, an employer pays assessments to the plan on behalf of their eligible employees. The plan then pools collected assessments and invests them. Following retirement, the employee receives payments that are based on a specific calculation, generally for their lifetime.</p>	<p>In a typical defined contribution plan, an employer (and often the employee) makes contributions to individual retirement savings accounts that are “owned by” the employees. Each employee selects from a variety of investment options available in the plan, and they may change investments and personal contributions, as desired.</p> <p>At retirement, the amount accumulated in each individual’s account is paid out to the employee, either in a lump sum payment or over years. The distribution of retirement funds is at the retired employee’s discretion. Employees who leave their jobs prior to retirement can take the full value of their accounts with them, subject to various tax laws.</p>

## Major Findings

Assessments, contributions, and certain features of typical pension plans (including those offered by CPF) are based on compensation. Compensation disparities within the Church result in pension differences. Certain features exist in the Clergy Pension Plan and the ICPP to mitigate these pension differences, such as minimum pensions, non-consecutive highest seven years of compensation, and a post-retirement health subsidy that disproportionately benefits clergy who received lower and/or uneven compensation while active; however, these features are not available in the lay pension plans. By adding similar features to the Lay DB Plan, CPF may be able to blunt the impact of disparate incomes among lay employees on defined pension benefits they receive, but the assessment rate under the Lay DB Plan would need to be increased significantly to cover the additional cost of these changes.

Under the RSVP and Lay DC Plan, employer contributions are based on a percentage of pay, which means lower-paid employees receive lower contributions to their retirement savings accounts. Lower-paid employees tend to contribute lower amounts to their retirement savings accounts because they simply cannot afford to do more, which may also result in a reduced employer match. Unequal pay and an unequal ability to save during active ministry contributes to wider gaps in retirement savings over time due to the accumulating impact of investment earnings.

Compensation data collected to date shows that male clergy earn more than female clergy, and that the differential grows over time, with the exception of late-ordained clergy. The data received about race and ethnicity, while not a complete picture of the Church, does not show significant disparities in clergy compensation and in Clergy Pension Plan benefits overall, but there are differences when race/ethnicity and gender are looked at in combination. White male clergy earn more than Black, Asian, and Hispanic male clergy, while Black and Hispanic female clergy earn more than White female clergy. Clergy of color had a wider range of compensation outcomes compared to White clergy being over-represented in the lower and higher compensation categories. (It should be noted that only 41% of clergy provided

**Highest Average Compensation** is generally equal to the average Total Assessable Compensation paid in the seven highest-paid, non-overlapping 12-month periods during which Credited Service is earned over a clergy’s entire career. **Non-overlapping 12-month periods** provide greater flexibility for clergy to follow different mission calls without negatively impacting their pension benefits.

race and ethnicity information to CPG in response to General Convention resolutions requesting this information.) However, there are opportunities for increased clergy participation and contributions in the RSVP. For those that are participating, White clergy current account balances, of about \$20,000, are somewhat higher on average than clergy of color account balances of about \$13,000.

Lay compensation is relatively unaffected by age and gender and, while limited, data received from lay employees to date shows no significant difference in compensation between White and People of Color populations. However, across the broader lay employee population, there are pay variances that create even greater disparities in retirement income under a defined contribution plan. It is important to note that addressing disparities in retirement income across the clergy and lay employee populations may require employers to increase their contributions to the lay plans (and potentially for employees to contribute more to receive the full employer matching Lay DC Plan contributions), an infusion of monies into the Lay DB Plan, and/or adjust clergy benefits to a more common level that is affordable.

Compensation can be affected by many things. In addition to structured data, CPG engaged with clergy and lay employees in conversations to test emerging themes and validate the data points regarding the sources of compensation and retirement income disparities. Listening events held with active and retired clergy and lay employees from a wide range of demographic categories revealed that female and clergy of color, in particular, are more likely to serve in smaller congregations, hold part-time positions, or go without church medical insurance—all factors that affect their current and long-term compensation and benefits. Other themes that emerged include the perception of unequal or limited opportunities, lack of commitment to diversity across all levels in certain dioceses, racism, inconsistent mentoring and advocacy, and unfamiliar polity and practices for clergy of color, which can hinder a career in the Church and ultimately affect compensation opportunities.

There are several ways to reduce the impact of income disparities on pension benefits for both lay employees and clergy, including the following:

- Add a flat-dollar employer contribution to the Lay DC Plan and RSVP plan for lay participants.
- Encourage employers to contribute amounts beyond the required minimum to the Lay DC Plan by presenting various employer contribution scenarios from which to choose, ranging from the required minimum up to a specific maximum contribution amount.
- Add fixed-dollar features to the Lay DB Plan pension formula and increase participation in the Lay DB Plan. Adding a fixed-dollar feature to the Lay DB Plan, similar to the fixed-dollar feature in the Clergy Pension Plan (1.15% X up to the first \$10,000 of Highest Average Compensation X years of Credited Service), will provide benefits weighted toward lower-paid lay employees.
- Review the fixed-dollar provisions in the Clergy Pension Plan and the ICPP to identify additional ways to address pension disparities among clergy plan participants. (Please note that this review of the Clergy Pension Plan and the ICPP is already planned for 2022.)

In addition, as the Church works toward greater parity in compensation, CPF would gladly participate in a structured study with the Church to further explore the root causes of disparities in compensation and career opportunities, which ultimately affect pension benefits.

As the Church considers its options for increasing pension parity, particularly among the lower-paid lay population, it is a good time to reflect on the intent of [Resolution 2009-A138](#), which established that employer assessments for lay employees shall not be less than 9% of the employees' compensation if a defined benefit plan is selected, and not less than 5% of the employees' compensation with a match of at least 4% if a defined contribution plan is selected. These minimums were intended as a starting point, with a hope that employers could contribute more through the Lay DC Plan or supplement the Lay DB Plan by contributing to the RSVP.

### **Additional Studies and Insights on Parity**

CPG has conducted, and provided reports on, other studies to help the Church understand parity in compensation and benefits across non-domestic and domestic clergy and lay employee populations. Specifically:

- **Resolution 2015-A181** requested that CPG study compensation and employee benefit costs for non-domestic clergy and lay employees and provide information about alternative programs and strategies to improve clergy and lay pension plans in these areas. Details, including which countries were included and benefit considerations, can be found in the [Resolution 2015-A181 Report on the Costs of Pension Benefits in Foreign Dioceses](#). Please note that the information provided in response to our data requests, at the time of this report, was not sufficient to provide meaningful analysis for non-domestic lay employees. We continue to work with our clients in these dioceses to gather a more complete picture.

This study found that in non-domestic dioceses:

- ~ Clergy compensation is below market benchmarks in most of the nondomestic dioceses studied. Overall:
  - 26% of clergy are paid above the private sector market.
  - 20% of clergy are paid consistent with the private sector market.
  - 52% of clergy are paid below the private sector market.
- There are several challenges facing non-domestic dioceses, including limited financial resources, local inflation and exchange rates, local government and economic conditions, and limited economies of scale due to the smaller number of clergy in these areas.
- The ICPP provides retirement income equal to or greater than compensation received before retirement by full-career clergy (25 years or more of Credited Service) earning \$10,000 or less annually (about 70% of ICPP participants earn \$10,000 or less). This level of income replacement in retirement is generous compared to local benchmarks and the Clergy Pension Plan. While income replacement is high, pension benefit amounts tend to be low due to relatively low compensation.
- The post-retirement medical subsidy benefit provided by CPG to retired participants in the ICPP exceeds local benchmarks.
- Life insurance and disability coverage offered to eligible clergy generally exceed local benchmarks.
- **Resolution 2018-D045** asked CPF to study necessary steps for providing pension equity for lay employees and clergy and to compare possible plans with pension benefits offered by comparable nonchurch organizations. Details, including how defined benefit and defined contribution plans work, plan participation data, and considerations to make the pension plans more equitable, can be found in the [General Convention Resolution 2018-D045 Report Summary from The Church Pension Fund](#).

This study found that:

- Employer base plus matching contributions of up to 9% to the Lay DC Plan significantly exceed the level provided by nonprofit organizations and the broader industry.
- Assuming the same employer contribution levels, the vast majority of defined benefit plans provide higher participant benefits than defined contribution plans. That stated, defined contribution plans continue to be an important component of clergy and lay employees' retirement strategies, particularly as a primary retirement savings vehicle to better enable portability and/or as supplemental savings vehicles for employees offered defined benefit plans as their primary retirement plan.
- Ninety-six percent of Episcopal Church employers in the United States offer some form of pension to active lay employees. Of those, an estimated 90% offer the Lay DC Plan and 10% offer the Lay DB Plan. Only two percent of employers that offer the Lay DB Plan also offer the RSVP to lay employees.
- Employee participation in the Lay DC Plan has increased by 88% and savings by 220% since the Lay Pension System was mandated by General Convention Resolution 2009-A138.
- Under the Lay Pension System, employers are required to pay up to 9% in assessments, which is less than the 18% assessments mandated under the Clergy Pension Plan.
- While the Clergy Pension Plan's assessment is greater than the assessments required by the lay plans, the 18% assessment falls materially short in covering the full cost of benefits provided to clergy. Clergy Pension Plan benefits are substantially funded by the investment returns that CPF has earned on Clergy Pension Plan assets over the past century.

### The ICPP Improvements

In response to these findings, the following improvements were made to the ICPP effective January 1, 2021:

- Every three years, CPG will analyze purchasing power and make adjustments as needed. The first purchasing power adjustment was granted to beneficiaries in five dioceses effective January 1, 2021.
- To offset banking fees, CPG provides a US\$40 monthly subsidy to retirees who live outside the United States and receive their monthly benefit by foreign wire.
- Short- and long-term disability benefits were added for active ICPP participants.
- The Major Medical Supplement was increased from US\$160 to US\$170 per month per eligible individual with 20 or more years of Credited Service.

### Benefits Included in the Plans

The Clergy Pension Plan and ICPP provide pension payments as well as death, disability, resettlement, child, and other ancillary benefits. The Clergy Pension Plan also provides the discretionary Medicare subsidy and Cost-of-Living Adjustments (COLA).

The Lay DB Plan provides pension payments, death benefits, and long-term disability retirement benefits, and the Lay DC Plan provides pension benefits, withdrawals for disability, and benefits to named beneficiaries if a participant dies.

- Even if assessments paid to the lay plans were increased from 9% to 18%, it would take decades to accumulate the assets needed to provide the full menu of benefits offered by the Clergy Pension Plan.
- The Clergy Pension Plan, Lay DB Plan, Lay DC Plan, and RSVP are all designed to help participants maintain their standard of living in retirement, but Social Security, Medicare, and personal savings are also needed to achieve this goal.

## Compensation and Pension Data

Below are key findings within the clergy and lay employee groups based on self-reported clergy race and ethnicity data and demographic and compensation data for active lay employees and clergy enrolled in pension plans offered by CPF.

### Parity Among Clergy

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#### In compensation

- No statistically significant difference between all White clergy and all clergy of color when looking at overall averages, but there are differences when race/ethnicity and gender are looked in combination.
- Annual clergy compensation for White males is on average higher than for clergy of color, approximately \$5,500 higher than Black males, \$2,000 higher than Asian males and \$6,500 higher than Hispanic males.
- By contrast, annual compensation for White female clergy is on average lower than for female clergy of color. Average annual compensation for Black and Hispanic females is approximately \$12,000 higher than for White females, although annual compensation for Asian females is \$9,000 less than White females.
- Compensation levels for all clergy of color showed significantly more variation than for White clergy, with clergy of color over-represented in both the lower and higher compensation categories.
- Married male clergy earn significantly more than single ones, but female clergy compensation is relatively unaffected by marital status.
- Compensation used to determine pension benefits may vary due to different employer approaches for subsidizing medical benefits and other perquisites. For example, some employers may provide a stipend to supplement a clergyperson's gross pay for obtaining medical coverage through a dependent or for tuition payments for children, resulting in higher assessable compensation.

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#### In Clergy Pension Plan benefits

- Based on voluntarily reported data from 41% of clergy,
  - Male clergy of color and White male clergy have close parity in projected pension benefits, and
  - Female clergy of color average 7% greater projected pension benefits than White female clergy.
- Overall, male clergy have 40% higher projected annual pension benefits than female clergy, reflecting higher pay and greater years of Credited Service for male clergy.
- Married male clergy have 24% more in projected retirement income than single male clergy.
- While marital status does not significantly affect female clergy compensation, married female clergy generally have two more years of Credited Service at retirement, resulting in 15% more in projected retirement income than single female clergy.
- Clergy that are male and married have, as a subgroup have, significantly higher compensation compared to other subgroups.

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#### In RSVP benefits

- White clergy current account balance, of about \$20,000, are somewhat higher on average than clergy of color account balances of about \$13,000.
- Married female clergy have 30% more saved in the RSVP than single female clergy.

## Parity Among Lay Employees

### In compensation

- Lay compensation is relatively unaffected by age and gender.
- While limited, data received from lay employees shows no significant difference in compensation between White and People of Color lay employees.

### In retirement benefits

- Male lay employees, who comprise a smaller proportion (23%) of the total lay population, are projected to receive 32% more in retirement income than female lay employees due to having higher compensation.
- Married lay employees—male and female—average approximately 14% less in projected retirement income than single lay employees.

## Pension Plan Impact on Retirement Income Parity

Research shows there are certain features within CPF's retirement plans that have a positive, neutral, or negative effect on parity in retirement income. The charts below represent the effect each of CPF's retirement plans has on retirement income parity for clergy and lay employees.

Plan	Effect on Clergy Retirement Income Parity
Clergy Pension Plan	Reduces disparity
RSVP	Exacerbates disparity

  

Plan	Effect on Lay Employee Retirement Income Parity
Lay DB Plan	Neutral
RSVP	Exacerbates disparity
Lay DC Plan	Exacerbates disparity

The box below explains the features of the plans that impact retirement income parity.

The Clergy Pension Plan uses Highest Average Compensation and Credited Service as key components in its benefit calculations, so any income disparities will have a material impact on pension parity. The Clergy Pension Plan includes fixed-dollar amount features, a minimum benefit, non-consecutive highest seven years of compensation, and a post-retirement health plan, all of which lessen the income disparities among clergy to some degree. However, the Lay DB Plan does not have fixed-dollar amount features like the Clergy Pension Plan that reduce the effect on income disparities.

Under the RSVP and Lay DC Plan, employer and employee contributions are based on percentage of compensation, which continues income disparities into retirement for participants within these plans. In addition, the compounding impact of investment earnings, while having a positive impact on individual accounts, further exacerbates disparities in retirement income. To add to that, individual contributions can vary greatly, with higher earners more likely to participate and contribute more, leading to greater disparity in retirement savings.

## Themes from Listening Events (2018 to 2022)

Resolution 2018-A237 called on CPG to “study compensation and pension disparity across a variety of demographic categories.” In addition to the structured data that forms the bulk of this report, CPG engaged with the people—the church employees—behind the numbers. Mary Kate Wold, CPG's CEO and President, convened a series of listening events with representatives from multiple demographic groups within the Church. This approach built on a similar series of listening events in response to Resolution 2018-D045, addressing equity and parity issues in the lay and clergy pension plans. (Prior to the COVID-19 pandemic, listening groups were in person; more recently, the groups met over Zoom.)

The purpose of the conversations was to understand first-hand and in real time the various diverse church workers' definitions and opinions on parity in general and related to employee benefits. Clergy and lay employees drew from their

own experiences as they engaged in these rich conversations. In the listening events around parity and equity we often heard some difficult stories. In the Way of Love we are challenged to “Go” and cross boundaries and listen deeply so that we might become and understand the Beloved Community in our midst. It is in that spirit we listened and reported what we heard to the Church.

Insights drawn from these conversations with lay and clergy, while anecdotal, generally support the data provided in this report. Importantly, several themes that emerged are foundational for compensation disparity, resulting in pension disparity, which is the subject of this report.

### **Listening Events in Response to Resolution 2018-D045**

In the listening events held to collect perspectives on equity and parity from clergy and lay employees, two prominent themes emerged with direct relevance to CPF’s report responding to Resolution 2018-D045:

- Many lay employees feel their pension benefits are generous compared to the broader industry, but not when compared with clergy benefits.
- Many stakeholders around the Church agree that long-standing issues of equity in compensation for lay employees need to be addressed before parity is possible.

### **Listening Events in Response to Resolution 2018-A237**

Listening events held in response to Resolution 2018-A237 involved a variety of demographic categories, including all orders of lay and clergy serving in the domestic dioceses (unless otherwise specified): women, men, Asian, Black, LGBTQ+, Latinx/Hispanic, deacons, and retired. (Planning is underway for a listening event with Indigenous clergy, and prior listening events were held with Province IX.)

Following is a description of themes that emerged during these conversations. Given that the motivation of the General Convention in passing Resolution 2018-D045 and Resolution 2018-A237 was to address compensation and pension disparity across demographic groups, then addressing these themes might be a useful step in that effort.

Should the Church decide to further explore the root causes of disparities in compensation and career opportunities that lead to pension disparities, CPF would readily participate in a more formal study.

### **Unequal opportunities due to bias**

Female, People of Color, and LGBTQ+ clergy report experiencing both explicit and implicit bias in the Church.

Clergy who fit into more than one category—ethnicity, race, gender, and sexuality—report that they are not always clear which of these factors might be at issue in a particular situation, or if it is a combination of two or more. Geography plays a big part for many in their ministry path. LGBTQ+ clergy, for example, say they know which parts of the Church are welcoming. Some clergy express regret that there are parts of the country that are not open to them due to bias (especially regarding sexuality), even though they would prefer to live in those areas to be near family, or because of some other connection.

Clergy repeatedly brought up biases experienced in the deployment process, starting from their initial experiences of who gets hired first in seminary. While this bias can be subtle, some clergy report that it also can be quite blatant. The experience of being pigeonholed was common, as clergy of color recounted others’ assumptions that they could serve only a congregation of their own ethnicity, or that they would not be effective with another kind of congregation (especially a White one). It was reported as common for female, LGBTQ+, and clergy of color to be discouraged from even applying for certain positions and to have been encouraged “to manage their expectations downward.”

These clergy reported that the bar for success is set higher for them and that they are required to prove that they are capable in ways that are not asked of Straight White male cisgender clergy, even when they have equal or even greater experience and qualifications. Several clergy reported that a foreign accent can be interpreted as diminished intellectual capacity. Someone quoted a professional from another field who was commenting on this phenomenon, saying, “I speak with an accent, but I don’t think with an accent.”

Female, LGBTQ+, and clergy of color reported being explicitly told that their applications were not considered in some congregations because of their gender, ethnicity, race, or sexuality. In some dioceses, these clergy said they know which parishes are beyond reach (typically the most affluent, White congregations). These potential candidates felt that the search committee had a narrow, preconceived notion of whom they would call.

Some clergy encountered barriers during search processes, even in dioceses where they expected openness. They described how they had been marginalized, such as not being considered seriously for certain positions even when equally or more qualified and experienced than other applicants. Some had been told by search committees that the



risk was too high (parishioners might leave). Some encountered a requirement of being “native born” in the application process.

### **Lack of alignment in the Church around diversity, equity, and inclusion**

Participants in all listening groups expressed appreciation for the example given at the top of the denomination, in the historic election of a Black presiding bishop and his unwavering call to the Church to work for racial reconciliation and justice, but they report experiencing first-hand that this message has not yet fully reached the grassroots level of the Church.

### **Lower compensation**

Female, People of Color, and LGBTQ+ clergy reported frequently experiencing compensation disparity. Several recounted discovering that they were being paid less than their White, male predecessors. For many reasons, including apparently having fewer opportunities, these clergy reported being more willing to serve smaller congregations, accept part-time positions, or go without church-provided medical insurance, understanding that these factors would affect their pension and other benefits long term. As one clergy woman said, “We settle.”

While they reported that ethnic and historically Black congregations typically have fewer resources, these congregations reportedly are not the only ones that pay less when it comes to female, People of Color, and LGBTQ+ clergy. Consequently, many clergy in these demographics reported that they find it necessary to take on secular work, often several jobs, to make ends meet. Clergy who are holding down multiple jobs are often unable to take time off because all “discretionary time” is committed. Further, those who serve in specialized communities more often do not have a pool of supply clergy to take a Sunday or cover other services. This leads to exhaustion and burnout.

Similarly, many lay employees believe that the threshold for benefits (1,000 or more compensated hours per year) causes parishes to limit their reported hours, though not necessarily their time. They will put in more hours without pay, especially during Holy Week. Many say that they do this because they see their work as no less a calling than that of the clergy with whom they serve. Some lay employees predicted that the value (not compensation) of lay employees will increase, as a changing church with diminishing resources “will need them to keep things going.”

### **Mentoring and Self-Advocacy**

Many listening event participants expressed desire for mentoring and other systems of support across the Church. Many also expressed interest in learning how to negotiate in the call process, network, and navigate through conflict (especially when the basis for the conflict is race, gender, ethnicity, or sexuality). Lay employees expressed the same wish and reported feeling a similar lack of empowerment in the Church and a yearning for more advocacy. Anyone—clergy or lay—with a previous career involving negotiation and self-advocacy skills reported faring better. Clergy reported that seminaries are inconsistent in training for these skills and for promoting their graduating students in the call process. People of Color, female, and LGBTQ+ groups have had to build systems of mentoring and advocacy as they do not benefit from the traditional “old boy network.” The Union of Black Episcopalians was mentioned often as a successful example. Some internal and external barriers that were named included the following:

- Self-advocacy is an unfamiliar practice for some ethnic groups. Because service is the motivation for their ministry, to ask for more compensation feels shameful.
- Women’s self-advocacy can be seen in a negative light, compared to men’s ambition which is seen positively.
- Some dioceses generally are better advocates for clergy than others.
- Some dioceses are better advocates for lay employees than others.
- There can be a cost to speaking up—even retribution.

### **Unfamiliar Polity and Practices**

Many of the Church’s ethnic clergy were born outside the United States and were ordained in other parts of the Anglican Communion (or transferred in from other denominations).

- The Church’s polity and practices are unfamiliar to clergy who come from other parts of the Anglican Communion, or other denominations, putting them at a disadvantage when speaking with search committees and vestries in the search process.
- The Church’s polity and practices are also unfamiliar to some lay leaders who also may have come to the United States from overseas, so they may not know what is required in the way of minimum compensation and benefits. Female, LGBTQ+, and People of Color participants said they desire education and orientation for themselves and the lay leaders of their congregations. These clergy noted that, in addition to the Church’s polity and practices, it is also

necessary to learn about federal and state laws, including tax laws, and how to run a not-for-profit organization in the United States. This is an essential skill, the lack of which can hinder a career in the Church.

### Next steps

CPG is grateful for the opportunity that the General Convention has provided to research these issues and report back. The work also has revealed some potential next steps:

- While CPG has increased Spanish-language resources in the last few years, there is much more to be done in this area.
- For clergy who are coming into the Clergy Pension Plan from outside the domestic United States, CPG can do more to assist with their introduction to their benefits.
- There is an opportunity for the Church to enhance the orientation of clergy and lay leaders who are unfamiliar with the policies and procedures of the Church.
- There is an opportunity for the Church to create mentoring and educational programs to equip clergy and lay employees to negotiate and navigate letters of agreement, compensation, and other means of self-advocacy.
- One or more task forces to study this report and address the issues highlighted here could be created at various levels of the Church.

In conclusion, the themes that have emerged from these listening events are generally consistent with much of the data in this report and set the foundation for compensation disparity, which ultimately leads to pension disparity. Addressing these themes can be a useful first step in addressing compensation and pension disparities across demographic groups.

### Insights from Financial Literacy Assessments

Higher levels of financial literacy can help improve money management practices and retirement planning and preparedness. In national studies, there are significant gaps between men and women in levels of financial literacy, which contribute to differences in financial well-being. Nevertheless, CPG's study of clergy and lay employees show much smaller gender differences.

Between 2018 and 2020, CPG collaborated with Global Financial Literacy Excellence Center (GFLEC) to conduct a study to assess the financial capability and knowledge of clergy and lay employees. The clergy and lay employees were compared with a nationally representative subsample of the 2018 National Financial Capability Study (NFCS).

The studies showed lay employees and clergy are more financially literate than the NFCS subgroups. Between lay and clergy, clergy outperform lay in financial literacy. When looking at past educational offerings, lay employees and clergy who have been offered financial education through CPG or another provider outperformed those not offered financial education. Within gender differences, national subsample comparison showed minor differences between men and women in financial literacy. It is therefore significant that female clergy have similar scores to male clergy in financial literacy.

These points also indicate opportunities for improving financial capability among lay employees, as compared to clergy, to help improve their money management practices and retirement planning and preparedness.

### Considerations for Increasing Parity

CPF's report responding to Resolution 2018-D045 provides potential considerations for making the pension plans more equitable, which is defined as equal projected financial benefits for lay and ordained church workers given equivalent compensation. This includes increasing employer contributions to the Lay DC Plan (and encouraging employees to increase their contributions in order to receive the full employer matching contribution). It also highlights ways to reduce disparity by adjusting pension plan benefits to a more common level and/or infusing monies into the Lay DB Plan. Because the lay and clergy plans are separate, applicable law does not permit funds to be moved from one to the other as a means of achieving parity.

Additional potential considerations to reduce the impact of compensation disparities on retirement benefits include

- adding a flat-dollar employer contribution to the RSVP and Lay DC Plan,

#### Parity Through the Lens of Equivalence

It is worth reiterating that, for purposes of this report, CPF is viewing parity through the lens of equivalence because we have heard and observed that the Church's diverse workforce benefits from different approaches to pensions.

- encouraging employers to contribute amounts beyond the required minimum to the Lay DC Plan by presenting various employer contribution scenarios from which to choose, ranging from the required minimum up to a specific maximum contribution amount,
- adding fixed-dollar features to the Lay DB Plan pension formula and increasing plan participation, and
- reviewing the fixed-dollar provisions in the Clergy Pension Plan and the ICPP to identify additional ways to address pension disparities among clergy plan participants.

## In Summary

Assessments, contributions, and certain features of most pension plans, including the CPF pension plans, are based on compensation. So, to the extent that compensation disparities exist, so too will there be disparities in retirement income. CPF has included certain features in the Clergy Pension Plan and the ICPP that disproportionately benefit clergy who receive lower compensation while active; however, these features do not currently exist in the Lay DB Plan. Because the required 9% employer contribution to the Lay DB Plan is needed to cover the cost of the current benefits provided under the Lay DB Plan, the required employer assessment would need to increase to fund any benefit enhancement. Also, since employer contributions to the Lay DC Plan and the RSVP are typically based on a percentage of compensation, any income disparities will continue into retirement and can be exacerbated due to the compounding impact of annual investment returns.

These compensation disparities are most evident between clergy and lay employees (as demonstrated in our study responding to Resolution 2018-D045) and between male and female clergy. In addition, listening events point to various factors that affect current and long-term compensation and benefits, including the likelihood that female and clergy of color will serve in smaller congregations, hold part-time positions, or go without church medical insurance, as well as limited career opportunities that ultimately impact compensation for clergy of color in some dioceses. A flat-dollar contribution to the RSVP and Lay DC Plan, as well as adding a fixed component to the Lay DB Plan and increasing the fixed-dollar features currently included in the Clergy Pension Plan and ICPP pension formulas, would help reduce the impact of compensation disparities on retirement benefits while the Church works toward greater parity in compensation and employment practices. As noted previously, these benefit enhancements may require additional funding in the form of increased employer contributions to these plans and/or adjusting benefits to a common level that is affordable. In addition, as the Church works toward greater parity in compensation, CPF would gladly participate in a structured study with the Church to further explore the root causes of disparities in compensation and career opportunities, which ultimately affect pensions.

To restate, CPF is not recommending a particular approach or model for change. Our goal is to help the Church continue important conversations about parity. We are happy to support these conversations with the data and expertise we can share, and we will support whatever pension model or models the Church deems best to suit its evolving needs.

*This material is provided for informational purposes only and should not be viewed as investment, tax, or other advice. It does not constitute a contract or an offer for any products or services. In the event of a conflict between this material and the official plan documents or insurance policies, any official plan documents or insurance policies will govern. The Church Pension Fund (CPF) and its affiliates, collectively the Church Pension Group (CPG), retain the right to amend, terminate, or modify the terms of any benefit plan and/or insurance policy described in this material at any time, for any reason, and, unless otherwise required by applicable law, without notice.*

*CPF currently offers a post-retirement health subsidy to eligible clergy and spouses.\* However, CPF is required to maintain sufficient liquidity and assets to pay its pension and other benefit plan obligations. Given uncertain financial markets and their impact on assets, CPF has reserved the right, at its discretion, to modify or discontinue the post-retirement health subsidy at any time.*

*\* Not available to lay employees and their spouses.*

## Appendix

### Data Sources

The following data sources were included as part of our research for this report:

- Demographic and compensation data for active lay employees and clergy enrolled in plans offered by CPF
- 2021 International Lay Employee Census Data
- 2021 Clergy Census Data
- Clergy self-reported race and ethnicity data collected through General Convention mandate (Forty-one percent of clergy provided this data.)

For lay employees, much of the focus is on data that can be collected and verified, such as gender, years of service, and marital status. We continue to work with employers and lay employees to collect information about the lay population.

Table 1. Pension Status Among Clergy and Lay (as of January 2022)

	<b>Active</b>	<b>Retired</b>	<b>Total</b>
<b>Clergy Pension Plan</b>	5,394	7,025	12,419
<b>Lay DB Plan</b>	1,015	2,341	3,356

Table 2. Defined Contribution Accounts Among Clergy and Lay (as of January 2022)

	<b>Total*</b>
<b>Clergy RSVP</b>	1,836
<b>Lay DC Plan</b>	11,996
<b>Lay RSVP</b>	525

\* Please note that numbers shown for the Lay DC and RSVP plans include both active employees and retirees. We are unable to distinguish between active and retiree status.