

# Report on Equalized Cost of Priestly Services (ECOPS)

## Introduction

Equalization is an accepted principle and practice in the Diocese of Ottawa. Equalized Cost of Priestly Services (ECOPS) is a new system of assessing equalization and the cost of priestly service. In short, ECOPS implements the original vision of equalization better than the current system of Equalization Grants (see section 1). The benefits of the new system are presented below (see sections 3 and 9).

The following report introduces and explains ECOPS. Much of the material in the report has already been circulated to Synod delegates, clergy and parishes. However, there is new material (especially sections 6, 7, 11 and 13), updated information and further elaborations throughout the report. These changes and additions have resulted from constructive individual, committee and Focus Group feedback.

This Synod we will vote on whether to adopt ECOPS. The ECOPS Recommendations under consideration (see section 11) have already been approved by the ECOPS Task Force, the Financial Affairs Committee and Diocesan Council.

On behalf of the ECOPS Task Force, I would like to thank the Synod delegates who participated in the Focus Groups; your feedback was valuable. Hopefully, you will find where your feedback has helped in the explanation of the new system.

I would also like to thank all the committees and individuals (see section 10) who have taken the time to review, evaluate and make suggestions for improvement. I would especially like to thank the ECOPS Task Force members for their work and considered analysis:

*Bill Gilbert*, Diocesan Accountant; *Michael Herbert*, Director of Administration; *Gwen Lévesque*, Chair of the Fair Share Review Subcommittee; *Grant McDonald*, Member of the Financial Affairs Committee; *Linda Morrison*, Chair of the Financial Affairs Committee; *The Very Rev. Shane Parker*, Dean of Ottawa; and *David Wilson*, former chair of the Fair Share Review Subcommittee.

ECOPS has been developed to strengthen our congregations, ministry, and mission. May it be an effective instrument to help us serve our Lord and Saviour Jesus Christ in and across our Diocese.

The Rev. Dr. Robert Sears  
Chair, ECOPS Task Force

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### **1. The Current System – Cost of Priestly Services (COPS) and Equalization Grants**

The central pay system was introduced to the Diocese in the 1970's. For many of us this was a great idea, because it makes the life of treasurers and wardens much easier. With central pay the Synod Office took on the responsibility for issuing bi-weekly pay cheques to clergy, calculating and remitting source deductions, and issuing T4 slips.

Central pay does not affect what clergy are paid; it just simplifies the parish's payment of those costs. Each parish reimburses the Synod Office for the exact cost of its clergy.

Other costs included in central pay include: clergy travel allowance, the costs of benefits, and the housing allowance (for parishes that do not have a rectory). The clergy stipendiary scale, travel allowance, and housing allowance changes are published each year in the Synod circular and circulated to all parishes.

The Equalization Assessment and Equalization Grant system was introduced at the same time as central pay. And the Support Grant system was also introduced at this time.

The original vision behind Equalization Grants was that the funds raised from Equalization Assessments would cover all parishes in need of Equalization Grants. Parishes in need of equalization support are those with senior clergy, whose position on the stipendiary scale can make their particular clergy costs a challenge to meet.

The vision of equitably shared clergy costs behind our current equalization system has not reached its full bloom. This is primarily due to the financial model used to implement it. In short, the amounts raised from parishes by their Equalization Assessments are not enough to cover the costs of every parish in need of Equalization Grants. And simply increasing the amounts would only increase the burden placed on parishes. A different financial model is needed to realize our vision of equalized clergy costs across the Diocese.

## 2. Principles Behind ECOPS Development

ECOPS is a financial mechanism that is intended to enhance our stewardship of ordained ministry in the Diocese. Some of the guiding principles behind ECOPS are:

- Equalization is an accepted practice in the Diocese that reflects a shared responsibility for maintaining ordained ministry in the Diocese and a real, lived interdependence among parishes.
- The Diocese should work towards sustaining effective Christian ministry across the Diocese through well-placed clergy.
- It is beneficial for the Bishop to be able to appoint clergy based on clergy ministry gifts and “fit” with the needs and character of a parish.
- Clergy appointments should be based on the gifts individual clergy possess and not on whether a parish can afford him or her.
- Assessable income is generally accepted as a fair way to determine a parish’s “ability to pay.”

## 3. The New System – Equalized Cost of Priestly Services (ECOPS)

ECOPS is a new way of assessing parishes for the cost of their clergy. It has been developed to strengthen our congregations, ministry, and mission. Like the introduction of central pay, ECOPS does *not* change *what* clergy are paid. It only changes *how* parishes pay for the cost of clergy.

The biggest conceptual change with the new system is that parishes would no longer be *solely* responsible for the costs of their particular clergy. Instead, parishes would pay a fair share of the total cost of all stipendiary clergy in the Diocese.

ECOPS is, therefore, arguably the fulfillment of the original vision behind our Equalization Grants system. ECOPS simply integrates equalization into how parishes pay for COPS and introduces an effective and equitable way to share the costs of stipendiary clergy (excluding housing).

One of the chief benefits of ECOPS is that it would make clergy appointments possible for parishes *regardless of the seniority of the clergy being considered for the appointment*. With ECOPS the Bishop could appoint clergy based on clergy’s gifts and the needs and character of a parish *without negatively affecting a parish’s ECOPS assessment*.

Or put another way, when faced with a choice between two clergy, with ECOPS, parishes no longer need to consider whether they could “afford” them. Other benefits of ECOPS are listed below (see section 9).

#### 4. ECOPS Formula

The following is a basic representation of the ECOPS formula:

$$ECOPS = Base Cops + Equalization Amount$$

In order to understand the ECOPS formula in greater detail some definitions may be useful.

- *Base COPS* = lowest stipend on the stipendiary scale + travel allowance + benefits (not housing)
- *Equalization Amount* = Equalization Total x a parish's PFS%
- *Equalization Total* = Total COPS - Total Base COPS
- *Total COPS* = total cost for all active stipendiary clergy (stipend + benefits + travel allowance, but *excluding housing*) in the Diocese
- *Total Base COPS* = Base COPS x the total number of stipendiary clergy in parishes
- *PFS%* = a parish's 3-year average of assessable income ÷ the total diocesan assessable income for the same period

#### 5. ECOPS Assessments

ECOPS assessments will have two parts. *In the first part*, each parish pays a Base COPS amount. "Base COPS" is defined by the base clergy stipend on the stipendiary scale for the year in question, the travel allowance, and correlative benefits. It does *not* include housing, because there are many different arrangements and local conditions related to clergy residences that cannot be easily incorporated.

Both the stipendiary scales and the travel allowance are adjusted each year according to the Consumer Price Index and are published each year in the Synod Circular. For 2011 the Base COPS amount would be \$46,995. And parishes with two priests would pay twice Base COPS (i.e. \$93,990), and parishes with half time clergy would pay half Base COPS (i.e. \$23,498).

*In the second part* of ECOPS each parish pays its share of Equalization. The total amount to be funded by Equalization payments by parishes in the new model is the difference between the total COPS for all stipendiary clergy across the Diocese minus the total Base COPS assessed to parishes.

In effect, in Equalization, all parishes share the costs of clergy above the Base COPS amount, according to each parish's ability to pay. Equalization in the new system is calculated by a parish's Parish Fair Share percentage multiplied by the Equalization Total, i.e. total COPS minus total Base COPS.

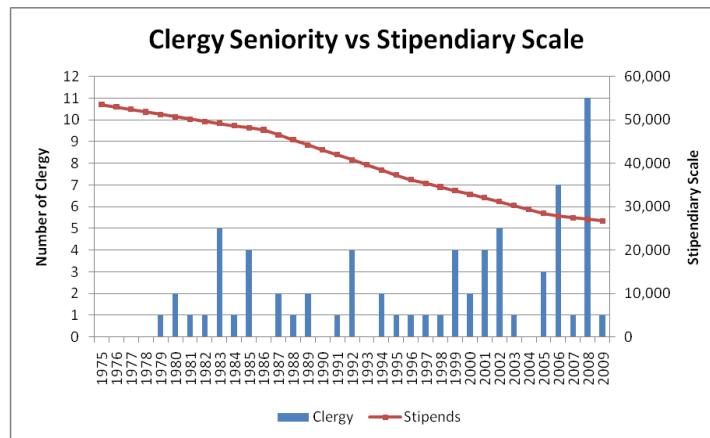
Taking a look at the big picture and in real dollars, the total diocesan cost for all clergy stipends, travel allowances, and benefits (but not clergy housing) is roughly \$4 million dollars. About three quarters of that amount is covered by the total Base COPS amounts parishes would pay. Parish Equalization payments would then cover the remaining balance of COPS according to their Parish Fair Share percentage.

Total COPS:	\$4,000,000
Total Base COPS:	\$3,000,000
Total Equalization:	\$1,000,000

## 6. Variables Affecting ECOPS Impact

There are two general variables that affect parish ECOPS assessments: 1) the seniority of clergy and 2) the assessable income of the parish. Parishes with more senior clergy will tend to receive a lower ECOPS assessment. And parishes with lower average assessable income will tend to receive lower Equalization amounts.

The following graph presents the seniority spread of clergy in the Diocese. The graph indicates the seniority of the clergy in the Diocese according to their Order of Seniority in the Diocese (represented by the bars).<sup>1</sup> It contrasts the 2010 Stipendiary scale, which is represented by the line (values listed on the right axis).<sup>2</sup>



Clergy seniority is not the only factor when considering the impact of ECOPS on parish assessments. A parish’s assessable income affects the Equalization Amount a parish will pay. The Equalization portion of ECOPS assessments is a function of the relative size of the parish’s 3-year average assessable income. The lower a parish’s average assessable income is, the lower their parish fair share percentage will be, and consequently the lower a parish’s Equalization amount will tend to be.

<sup>1</sup> This information is only of non-retired, active clergy from the “Waiting List for the Clergy Trust Fund as of September 1, 2009” (2009 Synod Circular, pp. 263-265).

<sup>2</sup> See 2009 Synod Circular, p. 166.

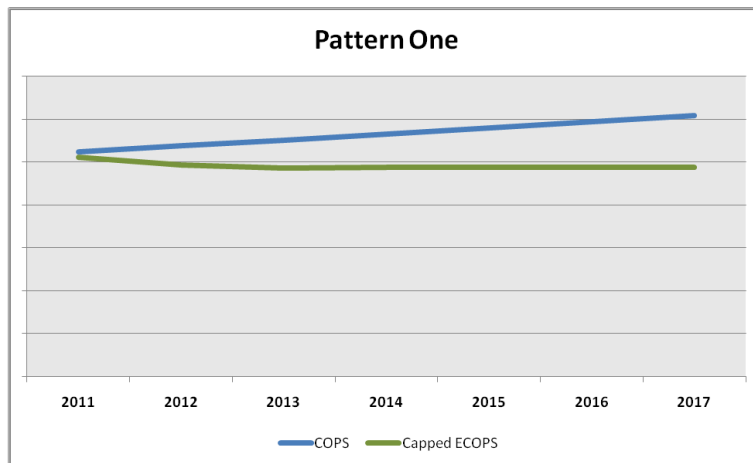
## 7. ECOPS Implementation Illustrated

Feedback received from Focus Groups suggested that more information on the impact of ECOPS on parishes was desired. So, along with each parish's specific ECOPS assessments, the graph of clergy seniority (see section 6 above), and the Glossary (see section 13 below) the following should help illustrate the different kinds of impact ECOPS will have on parishes.

Projections indicate that over the five-year implementation period, all things being equal, *there are three patterns of ECOPS impact on parishes*. One third of parishes can be found within each pattern.

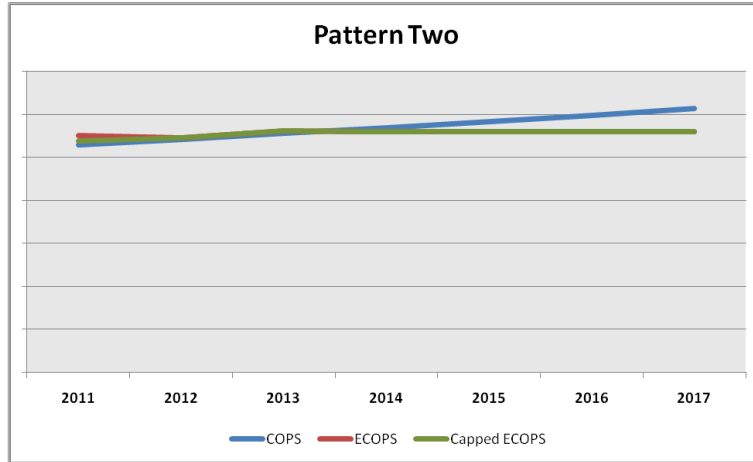
It must be noted that no one variable, e.g. parish assessable income, or number of clergy or seniority of clergy, adequately accounts for the pattern of impact on a parish. So, for example, in each of the three groups there are parishes with two clergy and half-time clergy, junior and senior clergy. And there are parishes with lower (<\$50,000) and higher (>\$150,000) assessable income in each group as well.

### a. Pattern One



In the first case, parishes will find their ECOPS assessments in the first year the same or lower (see green line) than their COPS assessments would have been with the regular annual increases in stipend, travel and benefits (see blue line in the above graph). Then in the second, third or fourth year of implementation ECOPS assessments level off. This plateau in ECOPS assessments indicates that, *all things being equal*, a parish will be able to expect their ECOPS assessments to be more stable year-to-year.

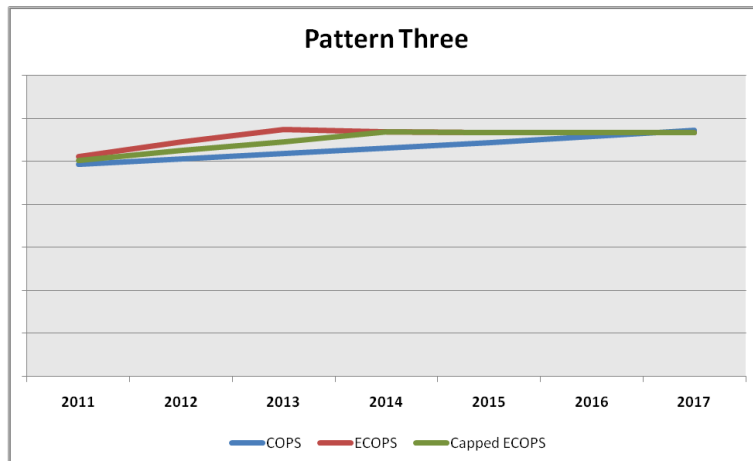
b. *Pattern Two*



In the second case, ECOPS assessments track well for a few years with the COPS assessments with the regular annual increases included (see blue line). ECOPS assessments then intersect and level off somewhere between the second and fourth years of implementation (see green line).

During the implementation period, increases in ECOPS assessments will be kept to a maximum of 2% per year, calculated in addition to the regular annual increase in clergy stipend, travel, and benefits. In the above graph the blue line indicates a regular annual COPS increase of 2.5%. The green line reflects capped ECOPS values we would use. The red line that just peeks through on the left indicates what the *uncapped* ECOPS values would have been. This becomes more important for Pattern Three, described below.

c. *Pattern Three*



In the third case, ECOPS assessments level off around the fourth year of implementation and then intersect with regular annual COPS increases about the fifth year. During the implementation period there is a maximum of 2% per year increase in ECOPS, calculated in addition to the regular annual increase in clergy stipend, travel, and benefits. The green line

reflects the capped ECOPS values. The blue line in the above graph plots a regular annual COPS increase of 2.5%. The red line indicates what the *uncapped* ECOPS values would have been.

## **8. Other Changes in the New System**

With the introduction of ECOPS all *stipendiary* clergy costs (excluding housing) will be exempt from a parish's assessable income. Currently, only the incumbent's costs are exempt. With ECOPS both newly ordained assistant curate costs and assistant curate (associate clergy) costs will also be exempt.

Furthermore, the Base COPS for newly ordained assistant curates will be reduced 15% for the first year of appointment (and the reduction will be extended into the next full calendar year, if their appointment was made after June 1). Base COPS will be reduced 10% in their second full calendar year and 5% in their third full calendar year.

## **9. Benefits of ECOPS**

There are a number of benefits to parishes over the current system:

- *Transparency*: ECOPS uses the same Base COPS (or fraction thereof) for all clergy, and uses the same formula to calculate Equalization for every parish.
- *Consistency*: ECOPS employs the same formula for all parish assessments of ECOPS, holding all parishes to the same standard.
- *Stability*: ECOPS assessments will, as a rule, be more stable year-to-year than the current COPS assessments, allowing parishes better financial stability and long-term planning.
- *Fairness*: ECOPS makes individual clergy gifts accessible to all parishes. It also enables parishes to live out their mutual interdependence.
- *Good Stewardship*: ECOPS fulfills the original vision for effective Equalization. And it makes Equalization of COPS proportional to a parish's ability to pay.

## **10. Review and Reception**

ECOPS has undergone extensive review and evaluation over a number of years and by many different individuals and committees. Below is a summary of the various stages of review and reception of ECOPS.

### *Stage One – Old Governance Structure*

- *February 2008*: PFS Review Committee
- *September 2008*: Bishop's Salary Board
- *October 2008*: Administration and Finance

- *March 2009*: Executive Committee
  - Gave approval in principle
- *April 2009*: ECOPS reviewed by third party

*Stage Two – New Governance Structure*

- *Feb-April 2010*: E-COPS Task Force
  - Gave approval in principle
- *March-April 2010*: Financial Affairs
- *April 2010*: Vice-Chancellor
- *April 2010*: Diocesan Council Chairs
- *May 2010*: Archdeacons
- *May 2010*: Clergy
- *May 2010*: Focus Groups
- *May 2010*: Financial Affairs
  - Approved ECOPS, forwarded recommendations to Diocesan Council
- *June 2010*: Diocesan Council
  - Approved ECOPS, forwarded recommendations to Synod

*Stage Three*

- *September 2010*: Preliminary ECOPS assessments sent to parishes
- *September 2010*: ECOPS Workshops
- *October 2010*: Great Chapters
- *October 2010*: Synod
  - Will consider approval of ECOPS
- *January 2011*: Target implementation date for ECOPS

**11. ECOPS Recommendations**

The following are the recommendations that Financial Affairs and Diocesan Council have approved and which Synod will be asked to consider:

1. Fund the total diocesan cost of priestly services by assessing parishes' Base COPS + Equalization, where:
  - a. Base COPS = base stipend on stipendiary scale, travel allowance, and benefits (excluding housing)
  - b. Equalization = Equalization total (i.e. total COPS – total Base COPS) x PFS%
2. Implement ECOPS gradually over a maximum five-year period.
3. Institute a 2% per year ceiling on ECOPS increases over the implementation period, calculated in addition to the regular annual increase to clergy stipend, travel, and benefits.

4. Reduce Base COPS: 15% for newly ordained assistant curates the first year of appointment (and extend the reduction into the next full calendar year, if their appointment was made after June 1); 10% in their second full calendar year; and 5% in their third full calendar year.
5. Change the PFS calculation to exempt the costs of all stipendiary clergy (excluding housing) from parish assessable income.
6. End the current Equalization Assessments and Equalization Grants system (Note: Support Grants would not be affected by this change).

## 12. Frequently Asked Questions

*What's different about ECOPS?*

With ECOPS parishes will pay for the cost of priestly services as a function of their share of the total diocesan cost of priestly services (excluding housing) and *not* as a function of their particular incumbent's stipendiary costs.

ECOPS would enable clergy appointments to be guided principally by ministry gifts and their "fit" with a parish. With ECOPS our Bishop will be able to appoint senior, experienced clergy with particular gifts to *any* parish in the Diocese *without affecting that parish's ECOPS payments*.

*Does it change what clergy are paid?*

No. Under ECOPS clergy would receive the same stipend and travel allowance they are entitled to. ECOPS is simply a different way to fund the clergy costs (excluding housing).

*How is ECOPS calculated?*

There are two parts to an ECOPS assessment: Base COPS + Equalization.

*First*, every parish pays the same Base COPS (or fraction thereof) for active stipendiary clergy in the parish. "Base COPS" includes the base clergy stipend, travel allowance, and benefits for the year, but *excludes housing*.

*Second*, every parish pays an Equalization amount, which is a parish's fair share of the Equalization total (calculated as the total COPS minus the total Base COPS assessed).

*Do we have to pay the same Base COPS even though we have half-time clergy?*

No. Parishes with half-time clergy will be assessed ½ the Base COPS amount.

*We are a parish with two clergy. How will this affect us?*

Firstly, parishes with two clergy will be assessed two times the Base COPS amount. Equalization, however, will be assessed in the same way for all parishes: Equalization = (total COPS - total Base COPS) x parish fair share percentage. Secondly, with the introduction of ECOPS, the costs of *all* stipendiary clergy will be exempt from a parish's assessable income.

*Do we have to pay ECOPS during a clergy transition period?*

When an incumbency is vacant for a period, parishes will pay only the Equalization amount of their ECOPS assessment.

*How will ECOPS affect our parish fair share?*

All things being equal, parishes that experience an increase in ECOPS will experience a *decrease* in PFS because of the greater exemption of clergy costs from their assessable income. However, due to the way parish fair share is calculated, these savings will be averaged over three years.

*What kind of increases are we talking about?*

Any increases in ECOPS assessments during the implementation period will be kept to a maximum of 2% per year, calculated in addition to the regular annual increase in clergy stipend, travel, and benefits.

*If our parish receives an increase in ECOPS, does that mean we are supporting parishes that can't afford clergy and are, essentially, not viable?*

No. With ECOPS every parish would pay the same Base COPS (or fraction thereof), their fair share of Equalization, and also would have to provide for clergy housing (by a housing allowance or rectory). The Equalization portion of ECOPS is not a Support Grant. Equalization does not go to support parishes that cannot pay Base COPS or their fair share of Equalization.

*Can we appeal our ECOPS assessments?*

Yes. Parishes can appeal their ECOPS assessments by appealing their assessable income value with the Fair Share Review Subcommittee (which meets in May), or with their archdeacon.

### 13. Glossary

The following is a list of some terms and acronyms that are either used in, or are related to, this report. Most of them are not unique to ECOPS. Nevertheless, it may help to have such terms defined. Where concepts are new to ECOPS they are noted.

*Ability to Pay* – the comparative assessable income of a parish that is reflected in the Parish Fair Share percentage.

*Actual COPS* – The total amount of clergy stipends, travel, and benefits for all active stipendiary clergy in the Diocese. Note: could also be used to refer to an individual’s actual clergy costs.

*Assessable Income* – The portion of a parish’s total income used to calculate a parish’s Fair Share of the diocesan budget. It comprises all revenues not deposited to the CTF, borrowed, or flowing through for outreach. There are also other exemptions, e.g. for the incumbent (stipend, benefits, and travel allowance), lay staff engaged in ministry, and certain capital expenditures. See the Guide for Completion of the Statistical Returns for more details.

*Assessment* – A request for funds made to parishes by the Synod Office, for Parish Fair Share and the Cost Of Priestly Services.

*Base COPS (new)* – The lowest stipend for clergy on the clergy stipendiary scale, plus travel allowance and corresponding benefits. Both the stipendiary scale and the travel allowance amount are published each year in the Synod circular.

*Base Stipend* – The lowest stipend on the clergy stipendiary scale.

*Benefits* – The employer costs of CPP, EI, group health and disability plans, and the pension plan. For 2010 benefits were calculated as 33% (ON) and 38% (QC) of the clergy stipend and travel allowance.

*COPS* – An abbreviation for “Cost of Priestly Services.”

*COPS Assessments* – The amount parishes are assessed by the Synod Office to cover the stipendiary, travel, and benefits costs of clergy.

*COPS Pool* – The sum of all actual COPS for stipendiary clergy active in the Diocese (does not include housing costs).

*ECOPS (new)* – An abbreviation for “Equalized Cost Of Priestly Services.”

*Equalization* – A means of sharing the responsibility and cost for sustaining ordained ministry in places that find it challenging to meet the financial burden or for the cost of clergy with significant seniority.

*Equalization Amount* (new) – A concept in Equalized COPS that is calculated by multiplying the total COPS pool less the total Base COPS by a parish’s parish fair share percentage.

*Equalization Assessments* (current) – The financial amounts charged to parishes and used to make up the Equalization Grants issued to parishes that have applied for and have been deemed in need of Equalization Grants.

*Equalization Grants* (current) – The funds given to parishes that have applied for and were deemed in need of Equalization Grants. The funds are used for inordinate costs of ordained ministry, i.e. for clergy with significant seniority or for parishes facing unusual financial challenges.

*Equalized COPS* (new) – A proposed model of assessing the COPS to parishes as a shared responsibility of all parishes. It formalizes Equalization as an integral calculation to COPS assessments. It subtracts the total Base COPS assessed to parishes for clergy from the total COPS pool and then shares the remainder of the COPS pool across all parishes according to each parish’s Parish Fair Share Percentage.

*Exemptions* – Funds not calculated towards a parish’s assessable income. Examples include the costs for the incumbent (excluding housing costs), monies deposited to the CTF, flow through funds for outreach, lay staff engaged in ministry and certain capital expenditures. See the Guide for Completion of the Statistical Returns for more details.

*Housing Allowance* – The sum allotted to clergy not supplied with a rectory, for housing and utilities.

*Implementation* (new) – The strategy and practice of aligning parish assessments for ECOPS.

*Implementation Ratio* (new) – The percentage increase over actual COPS a parish is assessed in a stage of the implementation process. It is a parish’s Parish Fair Share Percentage expressed as an average of the Parish Fair Share Percentages of all parishes receiving increases in a particular year of implementation.

*Number of Clergy* – How many active stipendiary clergy there are in the Diocese or a parish at a given time.

*Parish Fair Share* – the proportion of the total diocesan budget a parish has been assessed to pay each year. The proportion is calculated as a percentage; the three-year average of a parish’s assessable income and expressed as a percentage of the total of all the parishes’ net assessable income. Parish Fair Share is that percentage of the total diocesan budget.

*PFS* – An abbreviation for Parish Fair Share.

*Parish Fair Share Percentage (PFS%)* – The three-year average of a parish’s assessable income expressed over the total of all the parishes’ net assessable income.

*Seniority* – Clergy years of service in the Diocese.

*Stipend* – The amount clergy are paid. It is comparable in meaning to a “salary.” It does not include travel or housing allowances.

*Stipendiary Scale* – The progressive increases in remuneration for clergy based on years of service. It is published each year in the Synod circular.

*Support Grants* – The money allotted to parishes that have applied for and been found qualified to receive financial assistance from the Diocese.

*Total Base COPS (new)* – The sum of all Base COPS assessed to parishes in the ECOPS model.

*Total COPS* – The sum of all Cost Of Priestly Services for active stipendiary clergy in the Diocese. See also COPS Pool.

*Travel* – The short form of “travel allowance.”