

## **1. The Previous 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. In the previous COPS system each parish reimbursed the Synod Office for the exact cost of its clergy.

Other costs included in central pay were: 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 the previous equalization system had 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 were not enough to cover the costs of every parish in need of Equalization Grants. And simply increasing the amounts would only have increased the burden placed on parishes. A different financial model was 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 are no longer *solely* responsible for the costs of their particular clergy. Instead, parishes 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 makes clergy appointments possible for parishes *regardless of the seniority of the clergy being considered for the appointment*. With ECOPS the Bishop can 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 can “afford” them. Other benefits of ECOPS are listed below (see section 8).

### 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 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 was \$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 ECOPS 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 pays. Parish Equalization payments then cover the remaining balance of COPS according to their Parish Fair Share percentage.

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|---------------------|--------------------|
| Total COPS:         | \$4,000,000        |
| Total Base COPS:    | <u>\$3,000,000</u> |
| 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.

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

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

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

## **8. Benefits of ECOPS**

There are a number of benefits to parishes over the previous 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 are, as a rule, more stable year-to-year than the previous 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.

## **9. ECOPS Implementation**

The following are the ECOPS details approved by Synod:

1. Funding 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. Implementing ECOPS gradually over a maximum five-year period.
3. Instituting 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. Reducing Base COPS: 15% for newly ordained assistant curates the first year of appointment (and extending the reduction into the next full calendar year, if their appointment is made after June 1); 10% in their second full calendar year; and 5% in their third full calendar year.
5. Changing the PFS calculation to exempt the costs of all stipendiary clergy (excluding housing) from parish assessable income.
6. Ending the Equalization Assessments and Equalization Grants system (Note: Support Grants are not affected by this change).

## 10. Frequently Asked Questions

*What's different about ECOPS?*

With ECOPS parishes 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 enables clergy appointments to be guided principally by ministry gifts and their "fit" with a parish. With ECOPS our Bishop is 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 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 are assessed ½ the Base COPS amount.

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

Firstly, parishes with two clergy are assessed two times the Base COPS amount. Equalization, however, is 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 are 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 does 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 are 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 pays the same Base COPS (or fraction thereof), their fair share of Equalization, and also 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.