

38/99 Clerical Tenure

(A report from the Standing Committee.)

Introduction

1. In 1997 the Synod appointed a committee to review all aspects of clerical tenure in the Diocese and examine alternative tenure and employment practices for clergy. The committee reported to the Synod in 1999.

2. In its report the committee noted that the question of clerical tenure is a complex matter with many inter-relating issues and responsibilities. The committee examined the historical and legal basis of the current diocesan practice of tenure, noting its strengths and weaknesses.

3. While recognising the imperfections in the present practice, the committee believed that the concept of clerical tenure should be retained but with modifications. Contracts and fixed terms as a norm were not favoured. However, the committee considered that while the existing retirement provisions should be preserved there should be an early retirement option at age 60.

4. The committee considered that the concept of incapacity should be retained as grounds for suspending or revoking the licence of a member of the clergy, but thought that the concept of inefficiency should be replaced by a system of parish development and licensing reviews. In the committee's view, such a system of review would encourage more accountability and may deal with issues of pastoral breakdown. For this purpose, the committee prepared bills for 3 ordinances, namely, the Parish Relationships Ordinance, the Parish Development Ordinance and the Parish Review (Monitoring Panel) Ordinance. The first reading of both the Parish Development Ordinance and the Parish Review (Monitoring Panel) Ordinance took place at the 1st session of the 45th Synod in 1999.

5. In response to the committee's report, the Synod resolved as follows (resolution 38/99) -

"Synod -

- (a) requests that the Sydney Diocesan Superannuation Fund examine the proposal in the report of the Synod Committee on Clerical Tenure that clergy take optional retirement at age 60 and advise the Synod and the clergy of the financial steps needed to effect such a proposal;
- (b) requests that members of the Synod send comments on the bill for the Parish Relationships Ordinance 1999 to the Diocesan Secretary by 30 April 2000 and grants leave to the committee to

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meet again to reconsider the bill in light of those comments; and

- (c) requests that the Standing Committee appoint a committee with financial expertise to investigate the issues raised in the report about the need for an appropriate system of redundancy for clergy, and report back to the Synod in 2000 with proposals.”.

6. This report addresses the matters referred to in paragraphs (a), (b) and (c) of resolution 38/99.

Optional retirement at age 60

7. In response to the request made in paragraph (a) of resolution 38/99 the Sydney Diocesan Superannuation Fund (“SDSF”) provided advice about the additional superannuation contributions required to be made to enable a member of the clergy to retire at age 60 on a superannuation benefit comparable to what would have been achieved if their full time ministry had continued to age 65.

8. SDSF considered 3 typical clergy aged 29, 33 and 42 and retirement benefits projected to age 65 and age 60. Standard diocesan contribution rates indexed by 1.5% per annum, and an average interest rate of 9%, were used in the projection. No allowance was made for additional ad hoc personal contributions to the member's account.

9. The results were as follows -

- (a) for a member aged 29, an additional \$4,000 per year would be required to achieve the same retirement benefit at age 60 as at age 65,
- (b) for a member aged 33, an additional \$5,000 per year would be required to achieve the same retirement benefit at age 60 as at age 65,
- (c) for a member aged 42, an additional \$8,000 per year would be required to achieve the same retirement benefit at age 60 as at age 65.

10. Having regard to the age profile of clergy presently active in parish ministry, SDSF determined that the annual contributions to superannuation for most clergy would have to more than double to achieve a retirement benefit at age 60 compared with a benefit at age 65. Even contributions for the younger clergy (aged 35 or less) would have to increase by an average of 77% to achieve this result.

11. SDSF has also advised that there are other means by which members of the clergy can prepare themselves for retirement at age 60. These include the purchase of property (mortgage loans of up to 90% are available from SDSF) or direct investments in shares or investment trusts. Members of the clergy should

consider these other forms of investment, but only after obtaining professional financial planning advice.

12. Given the financial issues arising from SDSF's advice we asked the Finance Committee to comment. In response, the Finance Committee has advised -

- (a) There are no sources of funds to pay for increases superannuation contributions for clergy, other than the funds of parishes. The financial burden on parishes of increasing contributions for superannuation is too much to contemplate. In any event, the Synod probably did not intend that all clergy retire at age 60.
- (b) More work needs to be done on developing a package to allow some clergy to retire at age 60. The proposals for a system of redundancy for clergy (see paragraphs 14 to 30 below) need to be further developed.

Comments on the bill for the Parish Relationships Ordinance

13. Comments on the bill for the Parish Relationships Ordinance were received from the Wollongong Regional Council and several members of the Synod. The committee considered each of those comments and, to the extent that it considered it appropriate, has incorporated them in a revised draft of the Parish Relationships Ordinance which is printed separately.

System of redundancy for clergy

14. The Standing Committee asked that a committee comprising Messrs David Fairfull and Rodney Dredge consider and report about a system of redundancy for clergy.

Substance of committee's report

15. The fact that a member of the clergy licensed to a parish is an office holder and not an employee attracts certain benefits. However State redundancy legislation may not apply to an office holder and prevailing Federal tax benefits may not be available.

16. Further, the system of remuneration by way of stipend and allowances introduces difficulties in the determination of the value of any redundancy payment. This occurs because some areas of our Diocese attract, for example, higher housing costs than others. Further, some parishes remunerate their clergy at rates higher than the recommended minimum. Some parishes provide a housing allowance in lieu of a parish residence. Valuing these things for redundancy purposes is quite difficult.

17. If a system of redundancy is to be introduced -

- (a) All members of the clergy be treated the same for remuneration purposes. This means that a standard suite of values (for the elements of the stipendiary package) needs to be developed and maintained.

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- (b) Consistent with State legislation, clergy over the age of 45 years should receive a money premium over those below that age.
 - (c) No account should be taken of the capacity of a member of the clergy to re-enter the workforce.
 - (d) No account should be taken of the recent performance, medical condition, mental or family status of a member of the clergy.
18. Many secular awards insist on an employee's right to volunteer for redundancy while others specifically deny that right. Should a member of the clergy be permitted to volunteer for redundancy and, if so, under what conditions?
19. The traditional elements of a redundancy package in the secular world are -
- A period of notice of redundancy (or payment in lieu).
 - A lump sum severance payment.
 - An amount related to years of service. This is typically calculated on a "weeks per year of service" basis and may have a maximum applied to it.
 - Payment for unused sick leave.
 - Payment for unused annual and long service leave.
 - Assistance in training for a new vocation.
 - Provision of career transition facilities.
 - Provision of vocational counselling.
20. The quantum paid varies considerably from industry to industry and varies in style and mix depending upon the seniority of the person being made redundant.
21. The NSW Government has produced regulations which act as a minimum response to redundancy. They provide for 4 weeks notice and up to 16 weeks service related payment. Persons over 45 years receive an additional 25%.
22. Vocational counselling and career transition programs are typically supplied by consultants and vary in content from simple resume writing to extensive personal evaluation and job hunting skills training.
23. Some large companies have set up inhouse career transition centres during periods of high retrenchment. Other companies employ commercial career transition centres. An inhouse or off site career transition centre typically is a place where redundant persons can go and -
- use word processing and internet facilities.
 - read newspapers and periodicals for job opportunities.
 - make telephone calls and receive messages.

- meet and speak to persons in similar circumstances.
- receive support and encouragement (in some cases).

24. Some redundancy packages include payment of fees for a training institution where the person can be trained for re-employment in another vocation.

Recommendations

25. The committee recommended that a Synod fund be established by an initial grant of \$250,000 (and annual topping up) to finance some portions of a redundancy package. Further, rules need to be established to avoid a circumstance where a person received more by becoming redundant than he/she would have received if they retired in the normal manner.

26. In the committee's view, the gross value of the remuneration of a member of the clergy should be set at twice the prevailing recommended minimum stipend for a minister. This closely equates to the sum of stipend plus average allowances. This figure, to be called the "redundancy stipend", should become the basis for calculation of "weeks of pay" in the redundancy package in paragraph 27.

27. The committee recommended that the redundancy package available to a member of the clergy be set as follows -

		<i>Funded by</i>
(a) Notice period	4 weeks minimum	parish/ organisation
(b) Severance payment	4 weeks redundancy stipend	Synod
(c) Service element	2 weeks of redundancy stipend for each completed year of service since being ordained deacon - to a maximum of 52 weeks	Synod
(d) Annual leave & long service leave	as accrued	parish/ organisation
(e) Persons over 45 years of age	be paid a 25% premium for items (b) and (c) above.	
(f) Use of parish supplied housing	for 3 months from date of redundancy, at the expense of the parish.	
(g) The sum of (b), (c) and (e)	will not exceed 3 times the prevailing recommended minimum stipend.	

28. The committee proposed that members of the clergy made redundant be offered the services of a career transition consultant

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to assist in skills assessment and resumé writing. The maximum cost of this service would be limited to 3.5% of the annualised redundancy stipend determined by the formula in paragraph 26, and be funded from the Synod fund referred to in paragraph 25.

29. The committee also proposed that a room be set aside in St Andrew's House from which members of the clergy made redundant can access word processing, telephone and newspapers.

30. Finally, the committee recommended that a Board be established to -

- (a) Administer the Synod fund (paragraph 25).
- (b) Determine the eligibility of a clergyman who volunteers for redundancy.
- (c) Regulate the provision of career transition services (paragraph 28).
- (d) Provide facilities in a suitable room (paragraph 29).
- (e) Co-ordinate all cases of redundancy, in a way that makes effective use of prevailing tax rules.
- (f) Advise the superannuation trustees of cases of redundancy.
- (g) Consider and respond to applications for parish and organisations for assistance in meeting their obligations under paragraph 15.

31. In response to these recommendations, the Standing Committee has asked that the Diocesan Secretary prepare a draft ordinance to authorise and regulate the activities of the proposed Board and establish the required rules. The draft ordinance will form the basis for further consideration of the question of a system of redundancy for clergy.

For and on behalf of the Standing Committee

MARK PAYNE
Diocesan Secretary

1 August 2000