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## *Report No. 5*

# THE EPISCOPAL FUND

The Episcopal Services Committee has projected a spending plan for the support of the bishops of The United Methodist Church that reflects the current economic climate and the financial challenges in our jurisdictional annual conferences. All levels of the church have faced the challenge of escalating health costs. The committee attempted to strike a balance between adequate financial support of our episcopal leaders and the reality of a diminishing financial base. The committee also wrestled with the reality of growth in our central conferences concurrent with decreasing membership in our jurisdictional conferences, the latter being the principal source of funding. Because of these factors and other costs that are difficult to contain, this spending plan requires the largest percentage increase among the general funds. Even with this increase we believe the level of compensation and office support recommended in this report is inadequate for the quality of leadership we expect and receive from our bishops. However, we are cognizant of the struggles of our annual conferences and local churches to meet their financial commitments. The General Council on Finance and Administration (GCFA) presents the following recommendations concerning items in the Episcopal Fund spending plan for the 2009–2012 quadrennium, to become effective at the adjournment of the 2008 General Conference.

The Episcopal Fund, raised in accordance with ¶ 817.3, shall provide for the salary and expenses of

active bishops from the date of their consecration and for the support of retired bishops and surviving spouses and minor children of deceased bishops. Subject to the approval of GCFA, the treasurer shall have authority to borrow for the benefit of the Episcopal Fund such amounts as may be necessary for the proper execution of the orders of the General Conference.

### *I. Bishops Elected by the Central Conferences*

A proposed annual spending plan of estimated receipts on apportionment of the Episcopal Fund and expenses for each episcopal office in the central conferences shall be submitted to GCFA on forms furnished by the council, in compliance with ¶ 543.4 of *The Book of Discipline 2004*. The proposed spending plan shall include funding salaries, housing allowances, and office expense as recommended by the respective central conference or its committee on episcopacy.

Central conferences are asked to increase their partnership with the general Church by assuming greater cost sharing in the support of their bishops (see ¶ 543.4) with a minimum level of 10%. After reviewing the recommended spending plan of estimated receipts and expenses, the council shall establish the spending plan and determine what amounts from the Episcopal Fund are required for the support of the episcopacy in each

central conference, and shall send such remittances to the bishops and/or to the treasurers administering the funds of the episcopal offices.

### A. Salary

1. *Amount of Salary.* The salary of each bishop shall be recommended by the respective central conference or its committee on episcopacy as included in the area spending plan. The Episcopal Services Committee shall review this recommendation in light of all requests from central conferences and submit a spending plan of salaries to be adopted by GCFA, in accordance with ¶ 543.4 of *The Book of Discipline 2004*.

2. *Reactivated Retired Bishop.* If a retired bishop is reactivated and assigned to assume presidential responsibilities, the Episcopal Fund shall be responsible, upon request, for the difference between the remuneration of an active bishop's salary in the central conference area from which the bishop retires, and the pension payment.

3. *Special Assignment.* Retired bishops who accept a special assignment from the Council of Bishops following mandatory retirement shall receive remuneration of 20% of an active bishop's salary in the central conference area from which the bishop retires. The Episcopal Fund share shall not exceed 50% of the established compensation. The agency or institution of higher learning shall assume all responsibility for the bishop's operational and travel expenses related to the assignment. The status of a retired bishop on special assignment shall, for purpose of housing and other benefits, be that of a retired bishop. Compensation for any special assignment shall cease after the bishop has reached the mandatory age of retirement for ordained ministers within their central conference or completes the assignment, whichever comes first.

4. *Salary Payment.* Due to the variation in time of election, consecration, and assignment, there may be up to seven weeks of salary and benefits provided prior to the date of assignment from the Episcopal Fund for any newly elected bishop.

### B. Episcopal Housing Funds

Funds for housing of each bishop shall be recommended by the respective central conference or its committee on episcopacy and included in the episcopal area spending plan in accordance with ¶ 543.4 of *The Book of Discipline 2004*.

1. The annual conference or conferences constituting the episcopal area shall be responsible for funds for housing in which the bishop shall reside.

2. The housing allowance of each bishop shall be recommended by the Episcopal Services Committee and set by GCFA in accordance with ¶ 543.4 of *The Book of Discipline 2004*.

3. When a death occurs while a bishop is in active service, the surviving spouse may continue to occupy the episcopal residence for up to 120 days following the date of death of the bishop.

4. Guidelines will be developed by the respective central conference committees on episcopacy for transition in episcopal residences (repairs/ renovations; move out; new purchase, etc).

### C. Office Expense

1. Each active bishop shall receive an annual grant paid in monthly installments as recommended by the Episcopal Services Committee and set by GCFA to be applied toward the operation of the episcopal office.

2. The Episcopal Fund will reimburse purchases of office equipment and furnishings at the discretion of each bishop in an amount not to exceed \$10,000 in any one quadrennium for any one episcopal area. Requests for reimbursement shall be submitted with monthly travel expenses.

All purchases remain the property of the episcopal office with the exception of the computer in the bishop's office. Each bishop must comply with and sign the computer protocol and transfer of files agreement developed by the Council of Bishops stating his/her intent to take or leave the computer. If the bishop takes the computer, he/she will reimburse the episcopal office the current value of the computer.

3. Maintenance of office equipment shall be an office spending plan item paid from the office allowance.

4. Capital expenditures are not reimbursable from the Episcopal Fund.

5. A full audit shall be conducted based on approved International Standards on Auditing. Financial statements accompanying the audit should

be prepared in accordance with International Financial Reporting Standards. A full audit shall be conducted annually for each calendar year, and a written report shall be provided to GCFA by July 31 of the following year.

An audit conducted by the staff auditors of the General Board of Global Ministries (GBGM) will be an acceptable alternative to a separate audit by a chartered public accountant.

A status report on audits is made by the Audit and Review Committee of GCFA to the Episcopal Services Committee and to the full Council. If the audit is not prepared on time the Episcopal Services Committee shall have the right to suspend funding to the episcopal area.

The cost of the annual full audit shall be an office spending plan item paid from the office allowance.

#### ***D. Moving Expense***

1. The Episcopal Fund shall be responsible for the payment of only one moving expense incident for the assignment of a newly elected bishop, the relocation of a retired bishop to a permanent retirement residence, or the relocation of a surviving spouse when a death of an active bishop occurs.

The move must be made within the first twelve months of the assignment of an active bishop, within three years for a retired bishop moving to a permanent residence, or within 120 days for the relocation of a surviving spouse, all within the continent of the bishop's episcopal service.

2. In the year of election, travel expenses incurred after the effective date of assignment because of the failure of the bishop to move to a newly assigned area shall not be reimbursed.

3. Moving storage expense is reimbursable for a 30-day period.

4. If a bishop, upon retirement, accepts an assignment of church-wide responsibility with direct relationship and accountability to the Council of Bishops (§ 409.1c[1]), and if the assignment is such as to require residence at a specific location, the Episcopal Fund will be responsible for the payment of moving expenses to that location. In such case, a bishop remains eligible for payment of moving expenses by the Episcopal Fund to a

permanent retirement residence within the continent or their episcopal service if that move occurs within three years of the time the assignment ends.

5. If a bishop, upon retirement, accepts an assignment of church-wide responsibility with a general agency or United Methodist Church-related institution of higher education (§ 409.1c[2]), moving expenses related to such an assignment are the responsibility of the agency or institution, unless the location of the assignment is also the bishop's permanent retirement residence, in which case the Episcopal Fund will be responsible for the cost and this shall be considered the one moving expense. A bishop whose moving expenses to such an assignment are paid by the agency or institution will remain eligible for payment of moving expenses from the Episcopal Fund to a permanent retirement residence within the continent of their episcopal service, if that move occurs within three years of the time the assignment ends.

#### ***E. Pension***

Pensions for the support of bishops elected by central conferences and those of their surviving spouses shall include the benefits provided by the Global Episcopal Pension Program.

#### ***F. Other Benefits***

1. Central conference bishops are eligible to be covered under the same group health plan as staff of the general agencies receiving general Church funds. Bishops are covered for health benefits from the effective date of the beginning of salary compensation. All bishops will participate in a cost-sharing plan for their health insurance coverage.

2. If the participant is in a national mandatory health plan and there is an employer share, an amount will be paid up to the amount paid from the Episcopal Fund or general agency.

3. Upon retirement, the Episcopal Fund will provide supplemental insurance if chosen. Retirees will participate in a cost-sharing plan for this supplemental health insurance coverage.

4. If a bishop is eligible to retire, the Episcopal Fund shall pay the prevailing employer rate for health insurance. The retiring bishop shall contribute the prevailing rate for retirees based on his/her age.

5. The central conference bishops are covered by the Basic Protection Plan administered by the General

Board of Pension and Health Benefits (GBOPHB). In addition, the following benefits are provided: disability of an active bishop, surviving spouse death benefit, and a surviving dependent children benefit and educational benefit as determined by the policies and procedures adopted by GCFA.

6. The surviving spouse or one family member of the bishop, invited by the Council of Bishops, shall be entitled to the payment of expenses to attend the bishop's memorial service held at the Council of Bishops' meeting.

### **G. Renewal Leave, Continuing Education, and Sabbatical Leave**

1. *Renewal Leave.* The *Book of Discipline 2004* provides that every bishop in the active relationship shall take up to three months' leave from the normal responsibilities of the episcopacy for purposes of reflection, study, and self-renewal during each quadrennium (§ 411.2).

a. A bishop's renewal leave request shall first be approved by the College of Bishops and reported to the Council of Bishops. The secretary of the Council of Bishops will certify to GCFA the approved list of bishops to be on renewal leave.

b. During the period of a renewal leave, the following financial arrangements shall be in effect:

- (1) Cash salary will continue.
- (2) Reimbursement within the usual guidelines for Episcopal expense from the Episcopal Fund, supported by necessary documentation, shall be:
  - i. Transportation to and from the site of renewal leave by the most direct route and the most economical coach air fare; mileage to and from the site of renewal leave reimbursed under established policies for mileage reimbursement.
  - ii. Expenses up to \$2,000 for the quadrennium for actual expenses of tuition and housing.
- (3) Expenses incurred in providing temporary Episcopal supervision by a bishop from a nearby episcopal area necessitated by the absence of a bishop on renewal leave shall be reimbursed.
- (4) Meals during renewal leave are not reimbursable.

(5) Reimbursable episcopal travel expenses will not be paid during renewal leave unless authorized by the Council of Bishops.

(6) Compensation or honoraria received for any activity during renewal leave shall be deducted from b. (1) or (2) above.

2. *Continuing Education.* The Episcopal Fund will reimburse up to \$500 of a seminar, workshop, or other continuing educational experience annually.

3. *Sabbatical Leave.* As provided in ¶ 411.3 a bishop may be provided sabbatical leave. No travel expenses shall be provided during that time.

### **H. Travel Expense**

The Episcopal Fund shall pay the travel expenses of all members of the Council of Bishops in accordance with the Travel Expense Reimbursement Policies in the Episcopal Office Handbook as provided to the Council of Bishops. These travel expense policies are in accordance with the General Agency Expense and Reimbursement Policies for all general funds of The United Methodist Church as approved by GCFA.

### **I. Emergency Fund**

When the safety of a bishop is threatened, evacuation expenses of the bishop, spouse, and minor children of the bishop may be reimbursed. The Episcopal Fund has limited resources to provide assistance for the replacement or repair of episcopal residences and offices destroyed or damaged by conditions of war or civil unrest in the central conferences. In consultation with staff of GBGM and the officers of the Council of Bishops Executive Committee, priorities will be determined to respond to needs when conditions of peace have been restored.

When GCFA has been notified that a bishop in a central conference is being evacuated due to unsafe conditions in the episcopal area, payment of housing and office allowance amounts will normally be suspended; evacuation costs for the bishop and immediate family shall be paid from the Bishops in Exile account of the Episcopal Fund upon authorization of the Council of Bishops, and the GCFA General Secretary; costs for temporary housing and/or office expenses for the interim shall be provided in the same amount until peace is restored to the area. When the bishop returns to the episcopal residence and office, payments of established amounts for housing and office support shall resume.

## II. Bishops Elected by Jurisdictional Conferences

### A. Salary

1. *Amount of Salary.* The salary of a bishop newly elected in 2008 shall begin on the date of his/her consecration at the annual rate established for 2008 by GCFA in keeping with the formula approved by the 2004 General Conference.

The salary increases for the years 2009 through 2012 shall be set by GCFA, either at the percentage increase in the DAC (Denominational Average Compensation) figure available each year as calculated by GBOPHB, or at a percentage increase consistent with the rate of increase for leaders of other denominations.

The GCFA will notify each newly elected bishop's salary-paying unit of the date on which payment of salary from the Episcopal Fund will begin.

2. *Reactivated Retired Bishop.* If a retired bishop is reactivated and assigned to assume presidential responsibilities, the Episcopal Fund shall be responsible, upon request, for the difference between the remuneration of an active jurisdictional bishop and the pension payment.

3. *Special Assignment.* Retired bishops who accept a special assignment from the Council of Bishops following mandatory retirement shall receive remuneration of 20% of an active bishop's salary. The Episcopal Fund share shall not exceed 50% of the established compensation. The agency or institution of higher learning shall assume all responsibility for the bishop's operational and travel expenses related to the assignment. The status of a retired bishop on special assignment shall, for purpose of housing and other benefits, be that of a retired bishop. This salary shall cease after the assignment is complete or upon reaching the mandatory retirement age for ordained clergy, whichever comes first.

### B. Episcopal Residence

1. The annual conference or conferences constituting the episcopal area to which the bishop is assigned shall be responsible for providing an episcopal residence in which the bishop shall reside.

2. The Episcopal Fund shall provide a grant of \$10,000 annually to assist in the cost of purchasing and/or maintaining the episcopal residence.

3. When a death occurs while a bishop is in active service, the surviving spouse may continue to occupy the episcopal residence for up to 120 days following the date of death of the bishop.

4. Housing allowance exclusion shall only apply to expenses related to the episcopal residence.

5. Guidelines will be developed by the respective jurisdictional committee on episcopacy for transition in episcopal residences (repairs/renovations; move out dates; new purchase, etc).

### C. Office Expense

1. Each active bishop shall receive an annual grant paid in quarterly installments as recommended by the Episcopal Services Committee and set by GCFA to be applied toward the operation of the episcopal office, including telephone, fax, and internet service.

The annual grant toward office expenses shall be in the following amounts for the general office spending plan:

2009	\$ 73,600
2010	\$ 74,800
2011	\$ 76,000
2012	\$ 77,300

2. The Episcopal Fund will reimburse purchases of office equipment and furnishings at the discretion of each bishop in an amount not to exceed \$10,000 in any one quadrennium for any one episcopal area. Requests for reimbursement shall be submitted with monthly travel expenses.

3. All purchases remain the property of the episcopal office with the exception of the computer in the bishop's office. Each bishop must comply with and sign the computer protocol and transfer of files agreement developed by the Council of Bishops stating his/her intent to take or leave the computer. If the bishop takes the computer, he/she will reimburse the episcopal office the current value of the computer.

4. Maintenance of office equipment shall be an office spending plan item paid from the office allowance.

5. Capital expenditures are not reimbursable from the Episcopal Fund.

6. A full audit should be conducted based on generally accepted auditing standards (GAAS). Financial statements accompanying the audit should be prepared in accordance with generally accepted accounting principles (GAAP). A full audit shall be conducted annually for each calendar year, and a written report shall be provided to GCFA by July 31 of the following year.

When the episcopal office spending plan funds are administered through the annual conference treasury, a separate audit is not required if the conference audit includes a separate schedule for episcopal office funds. The internal audit group of GCFA strongly encourages the use of the annual conference treasury to ensure the appropriate segregation of duties in the handling of episcopal funds.

A status report on audits is made by the Audit and Review Committee of GCFA to the Episcopal Services Committee and to the full Council. If the audit is not prepared on time the Episcopal Services Committee shall have the right to suspend funding to the episcopal area.

The cost of the annual full audit shall be an office spending plan item paid from the office allowance.

#### *D. Moving Expense*

1. The Episcopal Fund shall be responsible for the payment of only one moving expense incident for the reassignment of a bishop, the assignment of a newly elected bishop, the relocation of a retired bishop to a permanent retirement residence, or the relocation of a surviving spouse when a death of an active bishop occurs.

The move must be made within the first twelve months of the assignment or reassignment of an active bishop, within three years for a retired bishop moving to a permanent residence, or within 120 days for the relocation of a surviving spouse, all within the United States.

2. In the year of election or reassignment, travel expenses incurred after the date of assignment because of the failure of the bishop to move to a newly assigned area shall not be reimbursed.

3. Pre-approved moving storage expense is reimbursable for a 30-day period.

4. If a bishop, upon retirement, accepts an assignment of church-wide responsibility with direct relationship and accountability to the Council of Bishops (§ 409.1c[1]), and if the assignment is such as to require residence at a specific location, the Episcopal Fund will be responsible for the payment of moving expenses to that location. In such case, a bishop remains eligible for payment of moving expenses by the Episcopal Fund to a permanent retirement residence if that move occurs within three years of the time the assignment ends.

5. If a bishop, upon retirement, accepts an assignment of church-wide responsibility with a general agency or United Methodist Church-related institution of higher education (§ 409.1c[2]), moving expenses related to such an assignment are the responsibility of the agency or institution, unless the location of the assignment is also the bishop's permanent retirement residence, in which case the Episcopal Fund will be responsible for the cost and this shall be considered the one moving expense. A bishop whose moving expenses to such an assignment are paid by the agency or institution will remain eligible for payment of moving expenses from the Episcopal Fund to a permanent retirement residence, if that move occurs within three years of the time the assignment ends.

6. GCFA contracts with a national moving company for the relocation of household goods for bishops. If the bishop chooses not to use the moving company contracted by GCFA, three estimates are required from moving companies of the bishop's choice. Following approval, the move will be reimbursed upon receipt of the invoice.

#### *E. Pension*

For service years beginning before January 1, 1982, the pensions for the support of bishops elected by jurisdictional conferences and those of their surviving spouses shall include the benefits provided by the Global Episcopal Pension Program.

For service years beginning January 1, 1982, and thereafter, the pensions for the support of bishops elected by jurisdictional conferences and those of their surviving spouses and dependent children shall include the benefits provided by the Ministerial Pension Plan, amended and restated effective January 1, 2007, as the Clergy Retirement Security Program (CRSP), and the Comprehensive Protection Plan of GBOPHB.

### ***F. Other Benefits***

1. All jurisdictional conference bishops are covered under the same group health plan as staff of the general agencies receiving general Church funds. Bishops are covered for health benefits from the date of election.

2. Upon retirement, Medicare is the primary health plan. The Episcopal Fund will provide Medicare supplemental insurance. Retirees will participate in a cost-sharing plan for this supplemental health insurance coverage.

3. If a bishop is eligible to retire, the Episcopal Fund shall pay the prevailing employer rate for health insurance. The retiring bishop shall contribute the prevailing rate for retirees based on his/her age.

4. The jurisdictional bishops are covered by the Basic Protection Plan and the Comprehensive Protection Plan administered by GBOPHB.

5. The surviving spouse or one family member of the bishop, invited by the Council of Bishops, shall be entitled to the payment of expenses to attend the bishop's memorial service held at the Council of Bishops' meeting.

### ***G. Renewal Leave, Continuing Education, and Sabbatical***

1. *Renewal Leave.* *The Book of Discipline 2004* provides that every bishop in the active relationship shall take up to three months' leave from the normal responsibilities of the episcopacy for purposes of reflection, study, and self-renewal during each quadrennium (§ 411.2).

A bishop's renewal leave request shall first be approved by the College of Bishops and reported to the Council of Bishops. The secretary of the Council of Bishops will certify to GCFA the approved list of bishops to be on renewal leave.

During the period of a renewal leave, the following financial arrangements shall be in effect:

- (1) Cash salary will continue.
- (2) Reimbursement within the usual guidelines for episcopal expense from the Episcopal Fund, supported by necessary documentation, shall be:
  - i. Transportation to and from the site of

renewal leave by the most direct route and the most economical coach air fare; mileage to and from the site of renewal leave reimbursed under established policies for mileage reimbursement.

- ii. Expenses up to \$2,000 for the quadrennium for actual expenses of tuition and housing.
- (3) Expenses incurred in providing temporary episcopal supervision by a bishop from a nearby episcopal area necessitated by the absence of a bishop on renewal leave shall be reimbursed.
- (4) Meals during renewal leave are not reimbursable.
- (5) Reimbursable episcopal travel expenses will not be paid during renewal leave unless authorized by the Council of Bishops.
- (6) Compensation or honoraria received for any activity during renewal leave shall be deducted from b. (1) or (2) above.

2. *Continuing Education.* The Episcopal Fund will reimburse up to \$500 of a seminar, workshop, or other continuing educational experience annually.

3. *Sabbatical Leave.* As provided in § 411.3, a bishop may be provided sabbatical leave. No travel expenses shall be provided during that time.

### ***H. Travel Expense***

The Episcopal Fund shall pay the travel expenses of all members of the Council of Bishops in accordance with the Travel Expense Reimbursement Policies in the Episcopal Office Handbook as provided to the Council of Bishops. These travel expense policies are in accordance with the General Agency Expense and Reimbursement Policies for all general funds of The United Methodist Church as approved by GCFA.

## ***III. MISCELLANEOUS OTHER MATTERS***

### ***A. Spending plan for the Office of the Executive Secretary of the Council of Bishops***

The Council of Bishops will submit a spending plan to GCFA to provide for the expenses related to the position of the Executive Secretary and the office located in Washington, DC. The administrative assistance and other expenses incurred by the Executive Secretary of the Council of Bishops in the performance of the duties

of this office shall also be included in such spending plan since it is subject to the approval of GCFA.

### ***B. Spending plan for the Ecumenical Officer of the Council of Bishops***

The Council of Bishops will submit a spending plan to GCFA to provide for expenses incurred by the Ecumenical Officer of the Council of Bishops in the performance of the duties of this office. Such spending plan is subject to the approval of GCFA. When representing the Council of Bishops, travel of the Ecumenical Officer shall be paid from the Episcopal Fund.

## ***IV. FUNDING***

### ***A. Change During Quadrennium***

If, in the judgment of GCFA, economic conditions are such as to require increasing or decreasing the amounts authorized in this report, the council is authorized to make such adjustments by a three-fourths majority of its total voting membership

### ***B. Apportionment for the Episcopal Fund to the Jurisdictional Conferences***

The Council recommends that the annual apportionment for the Episcopal Fund during the 2009–2012 quadrennium shall be:

2009	\$21,210,000
2010	\$22,723,000
2011	\$23,498,000
2012	\$25,969,000

*The Book of Discipline 2004* provides that GCFA shall recommend the formulas by which all apportionments to the annual conferences shall be determined, subject to the approval of the General Conference (§ 806.1c). The approved budgets for the Episcopal Fund and any other general apportioned funds created by the General Conference are to be apportioned pursuant to the methodology described in Report No. 8 so that they and their local churches will have full opportunity to be involved financially in the total mission of the church.

### ***C. Participation of the Central Conference***

Each central conference episcopal area will have a minimum participation of 10% of the total episcopal support in the spending plan for their area.

When the total estimated expenses including salaries, housing funding, and office costs for the bishops elected by it, and the estimated receipts on apportionment have been determined by a central conference, a statement of these amounts in itemized form shall be submitted to GCFA. The council, after consideration of the relative cost of living in various central conferences, shall determine the amount to be paid from the Episcopal Fund in meeting the spending plan, after which the treasurer of the Episcopal Fund shall pay the amount established to the bishop concerned, or as the central conference may determine (§ 543.4).