2026 Letter of Agreement Worksheet for Full-Time Rector/PIC Positions

Diocese of Chicago

LETTER OF AGREEMENT

Between

_____ Church in _____

And The Rev. _____

Who has been (*check one of the following four positions*)

- ❑ ***Elected Rector*** with the understanding that this tenure is to continue in accordance with this Agreement and the Constitution and Canons of the Episcopal Church and the Diocese of Chicago and will begin employment on _____.

- ❑ ***Appointed Vicar*** with the understanding that this tenure is to continue in accordance with this Agreement and the Constitution and Canons of the Episcopal Church and the Diocese of Chicago and the Bishop, and will begin employment on _____.

- ❑ ***Appointed Priest-in-Charge*** for a term of 36 months, beginning _____.
    a. Under the terms of the Diocese of Chicago plan for "Priest-in-Charge" an evaluation will take place at six-month intervals. After 12 months, the relationship may be made permanent:

        i. *For Missions: the relationship is made permanent by a vote of the Bishop's Committee petitioning the Bishop to appoint the priest as Vicar.*

        ii. *For Parishes: the relationship is made permanent by Vestry election of the priest as rector with the concurrence of the Bishop.*

    b. If the Vestry or Bishop decide after 24 months that the Priest-in-Charge will not become Rector or Vicar, then the relationship shall continue for a period of 12 months, which will only be shortened by mutual consent of the priest, Vestry/Bishop's Committee, and the Bishop. This period shall be used to initiate the transition and calling process, and by the Priest-in-Charge to seek another call while continuing to function as Priest-in-Charge. The Bishop may terminate this agreement at any time.

PREAMBLE

The priest shall lead as pastor, priest and teacher, sharing in the councils of this congregation and of the whole Church, in communion with our Bishop. By word and action, informed at all time by the Holy Scriptures, the

Book of Common Prayer, and the Constitution and Canons of the Episcopal Church and Diocese of Chicago, the priest shall proclaim the Gospel, love and serve Christ's people, nourish them, and strengthen them to glorify God in this life and in the life to come.

SECTION A: TIMES OF WORK AND LEAVE

1. The priest's work includes not only activities directed to the congregation and its well-being, but also labors on behalf of the Diocesan community. The priest's scheduled workweek is five days. In general, no more than three evenings per week are expected. The priest is expected to preserve at least one continuous 24-hour period each week solely for personal and family use.

2. The priest is invited to participate in the College for Congregational Development program within the first three years of employment.

3. For the first 18 months of the priest's tenure, the priest is expected to participate in the Diocesan Fresh Start program.

4. The priest will have the following periods of leave at full compensation:

    a. National Holidays, in so far as such leave will not interfere with worship for major occasions.

    b. A total of four weeks' vacation is given per calendar year including five Sundays. No more than five days and two Sundays may be carried forward in the next calendar year. Upon a priest's departure, any accrued/unused vacation leave that has been earned through the last day of active employment will be paid.

    c. Two weeks per year of service in the church for Sabbatical Leave, to be available after the fifth year, not to accumulate after the seventh year. Sabbatical arrangements shall be made in full consultation with the Vestry/Bishop's Committee, to ensure benefits for the congregation as well as the priest.

    d. A priest with at least one full year of employment with the church is entitled to leave if they or their spouse gives birth to a child(ren) or intends to take legal custody of a minor child who enters their home. This leave is for twelve consecutive weeks with full pay. If eligible, the congregation shall utilize short-term disability coverage. A priest with less than one full year of employment with the church may be allowed to take leave but must negotiate the terms of leave with the Vestry/Bishop's Committee.

    e. The priest will accrue sick days at the rate of one day per month. No more than 40 sick days may be accumulated. Employees will not receive compensation for unused sick days.

Before proceeding to Section B, the congregation will need to determine whether housing will be provided or housing allowance is to be calculated as part of the priest's compensation.

Currently, the Diocese's minimum compensation rate is set each year at Diocesan Convention. After these minimum guidelines are met, the cash compensation should be set by the Bishop's Committee or Vestry, weighing the priest's experience and range of responsibilities. For 2026, the minimum compensation for full-time clergy is:

> *$76,476 which includes: Cash Stipend, Self-Employment Tax and Cash Housing Allowance.*
>
> *$55,757 which includes: Cash Stipend and Self-Employment Tax and assumes a residence and utilities are provided.*
>
> *The church would adjust these starting figures proportionally for part-time positions. For example, if a clergy member is expected to work 20 hours per week, the above figures would be reduced by 50%. This formula would be used to calculate any schedule other than full-time.*

Note: These figures include SECA tax reimbursement and are adjusted relative to the Consumer Price Index by each Diocesan Convention.

If cash is provided in lieu of housing, complete Section B (1). If housing is provided, complete Section B (2).

SECTION B (1): COMPENSATION WHEN HOUSING IS NOT PROVIDED

1. The priest's annual cash salary will be $_____, paid twice monthly on or before the _____ day and the _____ of the month, to be reviewed and adjusted annually in light of changes in the Consumer Price Index and the current Diocesan minimum clergy salary standard. Upon the priest's request, the Vestry/Bishop's Committee will designate a portion of the total cash salary as "Housing Allowance" under the Internal Revenue Code and Regulations. **This cash salary amount:**
    - **Does include SECA.**
    - **Does not include SECA. Therefore, an additional 7.65% of the cash salary will be added to the cash salary for SECA purposes.**

2. The Vestry/Bishop's Committee shall pay the following benefits:

    a. Church Pension Fund assessment on the sum of the priest's total annual compensation as prescribed by Canon law.
    b. Clergy Medical and Dental insurance, including Family coverage when appropriate. **Medical and/or Dental Insurance enrollment must occur within the first 30 days of employment.** Please check the box for the level of coverage being provided:
        - Clergy Only
        - Clergy plus one

- Full family

The minimum premium level to be paid by employers of full-time clergy in the Diocese of Chicago for medical insurance shall be equal to the premium cost of the Consumer Directed Health Plan (CDHP/20) with a Health Savings Account (HSA.) The required minimum level for the HSA for 2026 is 75% funding, equal to $2,550 for single coverage and $5,100 for family coverage) for 2026.

The HSA, for 2026, must be funded by the employer and would need to be established in January of the current year with funding to occur either in January of the current year, quarterly in the year or on a monthly basis in the current year. Prorated amounts may ***only*** *occur if a clergy member's hire date occurs within a calendar year; otherwise all clergy must have their funds funded each calendar year.*

Each church must understand that if funding for the HSA does not occur in a lump sum in January of the current year, the clergy member may be required to fund their own medical/prescription payments out-of-pocket until their HSA is funded by the church.

The minimum premium level to be paid by employers of full-time clergy in the Diocese of Chicago for dental insurance shall be equal to the premium cost of the Delta Dental Comprehensive Plan.

If the priest declines Medical and Dental coverage: *This is only recommended when the medical and dental coverage is equal or better than that provided by the Diocese. The priest signs a waiver to forgo Diocesan coverage.*

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c. Worker's Compensation Insurance, as provided by State Law.

3. Benefits provided under Church Pension Group:

   a. Life Insurance: Group Life Insurance is offered as a benefit to eligible active clerics who participate in The Church Pension Fund Clergy Pension Plan. Should the cleric die while an active participant in the Clergy Pension Plan, the beneficiary will receive a benefit equal to:

      i. Six times the Total Assessable Compensation, up to a maximum of $150,000.

      ii. An additional life insurance ($50,000 value) may be purchased by the church through Church Pension Group **within 30 days of employment if the clergy member is working 20 hours or more per week.** The clergy member is also eligible to purchase additional life insurance policies directly with Church Pension Group.

   b. Disability Insurance: As an active clergy person who meets eligibility requirements, the cleric will receive Short-Term Disability Benefits and Long-Term Disability Coverage as a benefit to help maintain income should the priest become disabled. This benefit is provided by The Church Pension Fund to help Episcopal Church employers with costs incurred when an active member of the clergy is unable to work because of illness or injury.

SECTION B (2) COMPENSATION WHEN HOUSING IS PROVIDED

1. The priest's annual cash salary will be $_____, paid twice monthly on the _____ day and the _____ of the month, to be reviewed and adjusted annually in light of the Consumer Price Index and the current Diocesan minimum clergy salary standard. Upon the priest's request, the Bishop's Committee/Vestry will designate a portion of the total cash salary as "Housing Allowance" under the Internal Revenue Code and Regulations.

This cash salary amount:

- **Does include SECA.**
- **Does not include SECA. If SECA is not included, an additional 7.65% of total compensation (cash salary + housing value + utilities + housing equity allowance if applicable) will be added to the cash salary for SECA purposes.**

2. _____ agrees to pay the priest $_____ annually as an equity allowance [*not required under minimum guidelines].*

3. The priest shall have full use of the Church Provided Home at _____ as personal residence. No congregational activities will be planned at the Church Provided Home without the invitation of the priest's household. Expenses connected with the Church Provided Home shall be handled as follows:

    a. Utilities shall be contracted for and paid directly by the Bishop's Committee/Vestry.

    b. Expenses for repair, remodeling and major appliances shall be paid by the congregation in accordance with an annual plan and budget mutually agreed to by the priest and Bishop's Committee/Vestry. Within that plan and budget, the priest may authorize such expenditures, up to $_____ monthly, reporting them within ten days to the Bishop's Committee/Vestry until the annual budget is spent or committed and then only in consultation with the senior warden and treasurer.

    c. Use and maintenance of provided housing and grounds are at the priest's discretion and personal expense, with the exception of major alterations to the basic landscaping plan, and such grounds maintenance items as may be included in the annual plan and budget referred to in sub-paragraph (b) above.

4. The Vestry/Bishop's Committee shall pay the following benefits:
    a. Church Pension Fund assessment on the sum of the priest's total annual compensation as prescribed by Canon law.
    b. Clergy Medical and Dental insurance, including Family coverage when appropriate. **Medical and/or Dental Insurance enrollment must occur within the first 30 days of employment.**

    Please check the box for the level of coverage being provided:

- Clergy Only
- Clergy plus one
- Full family

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SECTION C: EXPENSES

The Vestry/Bishop's Committee shall pay the following expenses incurred by the priest in fulfilling the duties of office:

1. Actual travel expenses for church business, at the annual IRS rate plus out-of-pocket costs for parking fees, tolls, bus fares, etc. and in accordance with the annual approved budget of the congregation.

2. An expense and hospitality allowance (up to $_____ annual) for reimbursement of expenses incurred in the course of professional activities.

3. The cost of a cell phone will be reimbursed by the congregation for professional and pastoral use. This contact number shall be published to ensure the clergy member's ready accessibility in the case of emergencies.

4. In the event of the priest's death, the Vestry/Bishop's Committee agrees to continue to provide the priest's surviving direct dependents with the compensation items agreed to in Section B (1) and (2) (excepting pension, worker's compensation, life insurance and disability insurance), and appropriate Medical and Dental Insurance for a period of three months. If the congregation provides housing, then use of said housing will continue under the terms of this letter of agreement for three months.

5. A continuing education allowance in the amount of $_____ (for 2026, the Diocesan minimum is $1,000) will be provided annually. Two weeks will be given for continuing education per year.

6. This letter may be revised only by mutual agreement at the time of the annual mutual ministry review. Compensation and expenses revisions shall be mutually agreed upon in a separate budget process. In no event may compensation be less than Diocesan minimum as established by the most recent Diocesan Convention.

SECTION D: MUTUAL MINISTRY REVIEW

The Priest and Vestry/Bishop's Committee agree to an annual discussion and mutual review of the total ministry of the congregation and may wish to engage a third party to facilitate that process. The purpose of this review is to:

1. Provide the Priest and Vestry/Bishop's Committee the opportunity to assess how well they are fulfilling their responsibilities to each other, the ministries they share and the congregation.

2. Evaluate goals set at the previous mutual ministry review;

3. Establish goals for the work of the congregation for the coming year;

4. Isolate areas of conflict or disappointment that have not received adequate attention and may be adversely affecting mutual ministry; and

5. Clarify expectations of all parties so that future conflicts may be diminished or avoided.

SECTION E: OTHER

1. The congregation will pay $_____ in expenses related to moving the priest from _____ to _____. *Effective January 1, 2018, moving expenses can no longer be reimbursed tax-free or deducted on personal tax returns. Any payment of moving expenses or reimbursement to the cleric must be treated as taxable compensation and included as salary on Federal Form W-2. In addition, these amounts are assessable under The Church Pension Fund Clergy Pension Plan.*

2. If the Priest and Vestry/Bishop's Committee are in disagreement concerning interpretation of this Letter of Agreement, either party may appeal for mediation to the Canon to the Ordinary or another mutually agreed upon third party, the Bishop remaining the final arbiter. The Bishop may terminate this agreement at any time.

3. Items contained in this Letter of Agreement are based upon current resolutions and Canons of the Diocese of Chicago. Therefore, this agreement may be altered and or revised at any time based on any new resolutions, directives from Diocesan Council and/or Canons as pertinent to this agreement.

SIGNATURE PAGE

_____ _____

Date Title (rector, vicar, associate)

_____ _____

Date Senior Warden

Approved:

_____ _____

Canon to the Ordinary Date

_____ _____

Bishop of Chicago Date