

## OCA PENSION BOARD REPORT

Diocese of the South Assembly

Greenville, SC

20 July 2023

Your Eminence, Your Grace, Reverend Clergy, Brothers and Sisters in Christ:

I apologize upfront about my report. I did not know for sure that I was to be allowed to speak until this past Saturday evening. Had more notice been given, or a formal request for a report made to the Chairperson of the Board, a more detailed report would have been prepared.

Since the All-American Council last July, the "new" Pension Board has spent a great deal of time bringing ourselves up to date with the finances, procedures, questions about and stewardship of the OCA Pension Plan. These efforts have been slowed by attempts from outside the Board to micromanage our actions. Much time and energy has been spent responding to demands from outside the Board — this is time and energy for which we simply do not have staff. We have made a concentrated effort to be more open and transparent about the Plan, and communication between the Pension Board and the Metropolitan Council has improved. I continue this report under the assumption that those communications have already been reported to you by your Metropolitan Council delegates.

Board actions over the past year:

*Changed actuarial firms.* We severed our relationship with Milliman and after a search that led to nine interested firms, we have contracted with GRS & Company, who specialize in church defined benefit plans. They are in the process of preparing the actuarial report for 2022. This will not be ready until September, mostly due to Milliman not being timely with getting our past numbers over to GRS.

*Changed payment firms.* We have moved to a new payment processing firm. Direct Deposit payments will be processed by them. This is a cost-saving move and will be more efficient.

*Established a Pension Plan Member website.* On this site you can review and model the value of your retirement benefits, review your personal information, modify your contact information, view and save correspondence from the OCA Pension Plan, and contact and securely upload documents to the OCA Pension Plan.

*Established an OCA Employer website.* At this portal, parish treasurers can automatically calculate the monthly contributions by entering the participant's monthly salary, housing, and voluntary contributions, whichever is applicable. The Parish/Employer will also have the capability to run reports that will show each payment received with the check information and the date it was deposited.

*Started publishing the OCA Pension Plan Newsletter.* This periodic newsletter will be sent to all members, all members mandated but not participating, and posted on the website for anyone to download. We hope this continues to improve communication.

*Working out procedures for "special situations."* A number of different situations arise that are not covered by our plan rules. Retirees that are asked to temporarily cover parishes that lose their clergy or are distressed for whatever reason, retirees that have "special talents" needed, such as Chancellor, Treasurer, etc. We are working through those scenarios, but we do not have rules that cover every

situation. One rule that we do follow is that we do not want to hamper a bishop in caring for his flock.

Some financial highlights:

Monthly contributions into the plan are averaging almost \$55,000 higher than 2022 (\$330,261 for 2023 versus \$275,308 in 2022).

Monthly benefits paid are slightly lower in 2023 (\$367,179 in 2023 versus \$372,484 in 2022).

Monthly administrative expenses are slightly higher in 2023 (\$38,878 versus \$35,123).

Our monthly cash shortage (contributions less benefits and expenses) has **fallen** from \$132,300 in 2022 to \$64,779 for the first six months of 2023. This has been a direct effect from the 2% increase in parish remittances started in January 2023 and an increase in contributing members.

Our investment portfolio has **grown** from \$22,008,353.04 (1/1/23) to \$23,163,580.43 (6/30/23) It should be noted that there has been criticism of the benchmark goals and actual performance. The benchmark of 7% is an industry standard benchmark for defined benefit plans — it is composed of a number of indices to spread risk. Our time weighted portfolio average return 2012-2022 is 6.7%, virtually on target. But as all the small print says in prospectuses, "past performance does not guarantee future results." There is risk in all investment management.

Membership. There are currently (7/19) 390 monthly contributions, 31 of which contribute in multiple roles (parish and diocesan), meaning 359 persons. There is 100% compliance in the West, the Midwest, New England, and Washington. There are 45 enrolled participants from DOS. In addition, there are over 225 receiving monthly pension benefits.

Some commentary must be made about defined benefit plans versus defined contribution plans. There are those who feel the option of personal responsibility for investing for retirement versus a defined benefit is something that would provide the best security and greater returns for individual clergy. This is overly optimistic. My experience in church finance and stewardship (44 years of studying and speaking about church finance) tells me that only a small percentage of the OCA clergy who are financially savvy would be disciplined (or well-paid) enough to invest for themselves. Most would just defer or skip it. A bigger problem is that all of the risk then falls on the individual. In a defined benefit plan, you will get your pension each month. During the "dark times" of 2006, the Plan was protected untouched and no one missed a payment. In the market crash of 2008, no one missed a payment. In the 2012 financial crisis, no one missed a payment. During COVID, no one missed a payment. The Plan has always had to absorb the ups and downs of the market, but participants' benefits have been safeguarded. Last year, my personal retirement account lost 27% of its value. Thankfully, I did not have to touch any of those then devalued funds and sell at a loss because of my pension. Our Plan suffered losses also, but no one missed a payment.

In addition, it must be mentioned that there are substantial tax benefits to the Plan. The IRS yearly permits Church Plans a "Parsonage Designation" that allows clergy to declare all housing costs as not counting towards the pension amount — it is tax free. Mortgage, utilities, insurance, any housing expense, comes off the income you must report in your yearly tax return. The OCA Pension Plan is a wonderful benefit that assures our clergy of a stable, regular income in addition to Social Security when they retire. Many (most?) industries abandoned their defined benefit plans over the past 30 years because they simply did not want the expense and the risk the plans presented to their companies. They "matched" a certain amount and that was that. If a worker invested poorly (or not at all), or spent foolishly, they squandered away their future. The future of the company was not

affected at all. Statistics routinely show individuals just do not plan adequately for their retirements. In the newsletter that should have come out yesterday, we include these stats: at the close of 2022, the average retirement account held just \$100k; the average "boomer" had just \$134k; last year the average retirement account went from \$135,600 to \$104,000; finally, among retirees, the average retirement account last year dropped from \$192k to \$171k and retirees with **no savings** rose from 30% to 37%! If a priest lives to 65, statistically he can plan on living to 85. Even \$192k modestly spent will not last 20 years. A defined benefit plan helps safeguard our clergy from some of these pitfalls.

One last comment about our defined benefit plan. Criticism has come our way that we are funding pensions of older clergy on the "backs of younger clergy." The fact of the matter is that all defined benefit plans depend on the organization continuing to grow and enroll new wage earners as old ones collect their pensions and eventually go on to their reward. When the contributing members grow to the point that monthly contributions surpass expenses, the portfolio can be added to, bolstering the "endowment" to cover future pensions as the young ones age into retirement. This is not funding pensions on the backs of younger clergy.

Finally, I wish to conclude with some personal comments. I want to be extremely clear that these are personal comments. They have not been vetted by anyone on the Pension Board.

We are a Church. We are not GM, GE, or even a local super market. Not only are we a Church, but we are a hierarchical Church. Every man before kneeling at the altar and receiving the charism of the priesthood at the hands of a bishop signed an oath of obedience. We are to read the Scriptures daily, serve, preach, and teach. We are to be obedient to the Canons of the Church, the Teachings of the Church and the directives of the Church through our bishops, as long as they are not heretical. The participation in the pension plan of every paid cleric or lay worker in the OCA is a **mandatory** directive of not only the All-American Council, but also the Holy Synod of Bishops. Anyone who willfully chooses to forego participation for whatever reason (other than being unpaid) is in disobedience to the Church and to the oath they took. Every pastor knows what it is like when a difficult parishioner picks and chooses what they like in a parish or pastor and disobeys what they dislike, especially when they attach their financial gifts to that dislike. Any pastor who picks and chooses what they like about the directives of the Church and allows their parish to assume that it **is** a choice has taught their parishioners that it's ok to behave in exactly the way that makes life so difficult for a parish and a priest on a day-to day-basis.

But even deeper than that is when someone chooses to ignore the directive to participate in the Plan, they not only hurt themselves (it may take 30 years to discover that, but they will), they hurt every other person in the Plan. I know that is not the intent; that there really is a belief that non-participation is best if you make that decision. But it definitely is the consequence. Is that really where we are as a Church? That my brother doesn't matter? That my father confessor or pastor doesn't matter? For every person not participating in the Plan, there is less coming in to cover expenses and pensions. There is nothing "extra" going to the portfolio. One may have loads of money going into one's own investments, and may even have parish money going with one as compensation. But every penny of that is a penny not set aside by the Church for you **and** someone else. Remember Ananias and Sapphira.

Worst of all, there has been a small, but real phenomenon. Brand new priests before graduation are presented the Pension Plan and sign-up forms and actually still leave seminary thinking it is a choice. There are parishes that have paid into the plan for years — both for the parish portion and the priest's portion. The priest retires, dies or is transferred, and the new priest informs them he will not sign up for the pension plan. And we allow it. Not only is that disobedient, but then it actually subtracts what had been going into the plan, hurting the plan doubly.

Brothers and Sisters in Christ, I am the least of the Pension Board. I have been on the board for only a year. But I have been a priest serving the Church for 44 years. I am still learning about pensions, but one lesson that I learned from my spiritual fathers is to obey the Church. The Spirit-inspired Church has given us this moment and this plan. If we can improve it, let's improve it. I have worked far more hours than I ever dreamed I would when elected. The whole Board is working day and night to ensure the futures of every one of you sitting here today, and priests not yet born. Please help us. Pray for us. And if you are not a participant, sign up now.

I ask your forgiveness if anything I have said hurt or offended. We can disagree, but we do not have to be disagreeable. You are in my now home parish and I do not wish to spoil southern hospitality. Thank you.