ORTHODOX CHURCH in AMERICA
PENSION OFFICE

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To: Members of the OCA Pension Plan

Cc: OCA Community

From: OCA Pension Plan Board

Date: December 9, 2022

Subject: Five busy months since Baltimore

Glory to Jesus Christ!

It has been almost five months since the 20th All-American Council in Baltimore concluded. By the end of the last Plenary Session, the newly elected members of the Pension Board included clergy delegates Archpriest John Dresko and Archpriest Chad Hatfield and lay delegates Melanie Ringa and Matushka Mary C. Buletza Breton (re-elected). They join continuing Board members Fr. Matthew Tate and Mary Ann Bobulsky, The AAC also elected alternate board members Father Justin Griffing and Ivan Rudolph-Shabinsky. The new Board has elected Matushka Mary Buletza Breton as Chair.

This was a contentious All-American Council ("AAC") meeting for the Board. The proposal to amend the Statute of the OCA to end the autonomy of the AAC-elected Pension Board did not pass. However, the AAC passed a mandate instructing the Metropolitan Council and the Pension Board to work together to monitor the financial health of the Plan, increase participation, and address concerns with respect to the Plan.

The Pension Board has carried on with the work it has been performing over the past years. During recent months, the Pension Board has also engaged with members of the Metropolitan Council to identify how Plan information can be presented to the Council in a format and method that better meets its needs.

In September, the Pension Board held a full day of orientation for new and existing members. Additional orientation participants include the lay alternate Ivan Rudolph-Shabinsky, the OCA Treasurer Andrew Smith, and the newly appointed Metropolitan Council liaison to the Pension Board David Lane. The following day, the Pension Board held its first meeting of the new membership roster. The Metropolitan Council liaison attended the board meeting, except during the executive session when personal member benefits were discussed.

The Pension Board prepared and delivered multiple comprehensive reports and documents to the Metropolitan Council for its October meeting. Melanie Ringa represented the Pension Board at the meeting and was accompanied by Michael Stieglitz, Plan Administrator. Many issues were discussed, including communication, funding, and the participation mandate for both clergy (and eligible lay staff) and parishes that must be enforced. At the end of the discussions about the Pension Plan, the Metropolitan Council voted to agree with the Pension Board recommendation to increase parish/employer contributions by 2% beginning January 1, 2023 and 2% beginning January 1, 2024. It warrants repeating that plan participation is mandated. Nonetheless, every parish is obligated for its contribution even if its rector refuses or is ineligible to participate. This helps keep the Plan funded for future retirees. These additional contributions and greater participation by both eligible members and parishes will improve the funding of the plan.

Additionally, the Metropolitan Council voted to agree with the Pension Board request that the Central Church, as Plan Sponsor, contribute $9,000 per month to the Plan to offset expenses from which the Plan Sponsor benefits, such as the outside auditor costs and the actuarial costs.

In November, Matushka Mary addressed the Holy Synod at its fall meeting. She discussed the two funding proposals presented by the Pension Board and approved by the Metropolitan Council and answered the hierarchs' questions. The Holy Synod confirmed the resolutions for the contribution increases and the monthly budget allocation to offset expenses. Additionally, Archbishop Daniel was appointed as Episcopal Liaison to the Pension Board. Finally, the Holy Synod committed to form a joint committee to look into matters regarding compliance, the plan status, and the future.

We are preparing for our next Pension Board meeting on December 15, when we will welcome Archbishop Daniel. In November, we issued a Request for Proposals (RFPs) for actuarial services to 14 companies and received 11 proposals. We have reviewed the proposals and created a semi-finalist list for further vetting. We plan to finalize the decision at the upcoming Board meeting, as our current actuarial contract expires December 31, 2022.

Our Plan Administrator, Michael Stieglitz, continues to respond to questions from members, parishes, and employers. He can be contacted at the Pension Office by calling or texting at 516-464-0415 or emailing Michael@ocapension.org.

<u>Finally, a Word of Appreciation</u>:

We would be remiss if we failed to say "thank you" to Fr. Gleb McFatter who served fourteen years as a member of the Board, most recently as the Board Chair. Under Fr. Gleb's leadership the efforts to improve our record keeping system has culminated in the present system that allows instantaneous record review and benefit calculations. His tenure as our chairman has also covered the challenging investment years of 2008-2009 and the current down market. Throughout, he has guided the Board to follow its investment plan and to avoid emotional mistakes. We thank him for his leadership.

Praying for a peaceful remainder of this Nativity Fast,

With love in Christ,
The Pension Board

His Eminence Archbishop Daniel, Episcopal Liaison
Matushka Mary Buletza Breton, Chair
Fr. John Dresko
Fr. Matthew Tate
Fr. Chad Hatfield
Ms. Mary Ann Bobulsky
Mrs. Melanie Ringa

EDUCATIONAL CORNER

<u>Special tax opportunity of Clergy Pension benefits</u>

The Pension Board does not offer tax advice. However, it is important to remind retired clergy of a very special tax benefit which comes along with their clergy pension benefits.

Each year, the Pension Board passes and posts a resolution declaring that up to 100% of pension benefit payments received by a clergy member may be designated as relating to expenses of providing his home. This classifies the benefits as excludible from taxable income pursuant to Section 107 of the Internal Revenue Code of 1986, as amended. Please see the 2022 Parsonage Designation on the Pension Board website at: https://ocapension.org/wp-content/uploads/2021/12/Parsonage-Designation-2022.pdf .

This special tax provision is a very powerful benefit which only your church pension plan can provide. Retirement plan distributions from IRAs are not eligible for this exclusion. Therefore, when you compare the benefits of various retirement arrangements, it is important that you consider this special tax provision. **You should discuss this opportunity with your tax advisor and plan to optimize the benefit.**

Retirement Security

Retirement plans generally fall under one of two primary retirement plan structures:

> Defined contribution (DC) plans (e.g., 401(k), 403(b), 457) provide retirement benefits based on assets available in employee's individual accounts, with employer and employee contributions to the account made during the active service life of the employee. Typically, an employee can direct the investment of his contributions among a range of available options. **The employee bears all the investment risk associated with his/her DC account.**
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> Defined benefit (DB) plans (often simply called "pensions") provide a guaranteed benefit at retirement, typically paid in the form of a monthly annuity, with benefit amounts generally based on the age, length of service, and most recent salary of the retiree. Contributions to a pension trust fund, usually by both employer and active employee, are required to fund promised future benefits. The contributions are typically determined, at least in part, on periodic actuarial valuations. **With such DB plans, investment risk is borne by the employer(s) (depending on structure), rather than the employee**.

Our Plan is a defined benefit pension plan. It is not insured by any agency (such as private sector plans that are "insured" in part through the Pension Benefit Guaranty Corporation).

The distinction between a defined contribution plan and a defined benefit plan is important to you. This year, since January 1, 2022, the broad investment markets have lost value. If you were a participant of a defined contribution plan and were relying upon your account balance for retirement, you most likely would be facing significant pressure to delay retirement because your retirement assets are likely to have declined in value. Equities, for example, have suffered losses of over 20%; fixed income assets have also lost value. In contrast, in our defined benefit plan, you will receive the benefit accrued under the terms of the Plan.

Weathering the down markets is a strong argument explaining why the defined benefit approach to retirement is better for our clergy and full-time lay employees as the risk associated with the down market is absorbed by the Plan. Our pensioners receive the benefit to which they are entitled without reduction due to a temporary down market. Their retirement plans do not have to be turned asunder due to the movement of the stock market.

The Plan's annualized investment rate of return for the period from 12/31/2016 (the date that the current Investment Policy Statement was adopted) to 12/31/2021 was 9.49%.