AUTUMN 2023 PENSION OFFICE NEWSLETTER

Interview

Archpriest Michael Westerberg, Retired
Former Chairman of the OCA Pension Board

When and how long did you serve on the Pension Board? How did you decide to serve?

After my ordination in January of 1975, we were 'getting by' courtesy of my wife's teaching income. But I learned of clergy who had to rely on food stamps, rice and pasta. Auto allowances for clergy rarely existed. It wasn't unusual for parishioners or parish councils to feel and say that since they provided a home for the priest and his family it wasn't necessary for the priest to receive a higher salary. Some clergy families went deep into debt. Diocesan discretionary funds were non-existent though some bishops used a part or all of their honorariums from visitations to help their clergy.

But clergy care involves more than finances. Clergy burnout, depression, marital problems, alcohol and substance abuse and more, were often not addressed except to foster gossip, shame, scandal, harsh judgment and discipline when these could no longer be hidden and so became widely known.

It was generally expected that clergy would 'die with their boots on.' At the time, the current Plan had been established by the All-American Council, but retirement and pensions for clergy were often considered to be a luxury parishioners couldn't afford. Since they had lived in 'company housing' all their working lives, many clergy couples couldn't afford a place to live on just social security income.

It's important to emphasize that, like today, most clergy served joyfully and dealt with the realities of parish life with wisdom, patience and trust in our

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The Pension Plan Newsletter is a periodic publication to all OCA Pension Plan members and those mandated to participate by the All-American Council and the Holy Synod of Bishops. We hope to inform, answer questions, and most importantly, report on the Plan.

Excerpts from Report to MC

Investment Performance

Stock market performance varied greatly so far this year depending on what index is referenced. The Pension Plan assets continue to be invested in a diversified portfolio of equities, fixed income, and alternative investments. The asset allocation includes a low volatility portion similar to cash in the amount of nineteen months of monthly cash requirements. This allows the portfolio to remain intact in periods of market decline by having sufficient cash available. Additionally, due to improvements in cash flow the total monthly cash requirement has decreased during 2023. Finally, due to the increased interest rates over the past year or so, this asset class is benefiting from a higher yield.

The marketable securities portfolio, including the low volatility portion, managed by Morgan Stanley, earned 8.99%, net of fees, YTD through August 31, 2023. This compares to 9.45% earned by our benchmark representative of an asset allocation of 60% global equities, 35% intermediate bonds, and 5% cash. Our YTD performance does not include the performance of illiquid alternative investments, which are subject to delayed reporting and are best evaluated over a longer period of time. These illiquid investments have produced an average net return of 10.9% per year during the 3-year period ending June 30, 2023. Our comparable benchmark for that period returned 5.7% per year. Total Plan assets as of January 1, 2023 were $22,712,519. Total Plan assets as of August 31, 2023 are $23,581,906.

Actuarial Valuation

Our actuarial team at Gabriel, Roeder, Smith & Company (GRS) completed its valuation of the plan as of January 1, 2023 (for year 2022). This valuation was presented to the Pension Board at the board meeting on September 6, 2023. The funded ratio of the plan decreased from 50% to 38% on **January 1, 2023**, primarily due to insufficient contributions paid into the plan

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and the lower-than-expected return on assets during 2022. The actuaries spoke at length about the nature of a defined benefit plan. They likened the plan to a three-legged stool: contributions, investments, and full participation, as follows:

1. Contributions can be increased to improve the funding ratio.
2. Investments will generally follow the markets. A Pension Plan **cannot** invest its way out of underfunding.
3. Full participation and following the rules of the plan are essential to the health of the plan.

The actuaries will work on the 2023 projections which will show the positive effects of the additional 2% contribution which began January 1, 2023. *(We anticipate the funding ratio to improve into the 40-45% range.)* They will also proceed with the task of building a projection application the board can use as a modeling tool to see the effects caused by and tradeoffs from changing variables – contributions, rate of returns, and number of participants.

Participation

There are currently 366 (31 members participate in more than one employer) active participating members and 30 inactive members for a total of 396 active/inactive participants. In addition, there are currently 237 monthly benefits recipients.

Administration

Several months ago, the Pension Board engaged a new payroll provider, Accu Data. It has much experience with retirement benefit payments and will help streamline many of the tasks currently performed in the Pension Office.

The administrative office has received many compliments and thanks from members regarding the new secure online portal system. Michael Stieglitz works with members and parish treasurers who call for training on the system and introduces them to its capabilities, which include inputting the compensation data and calculating the contribution amounts and also locating historical parish information.

In addition to these benefits, the system has been improved to:

- *Record employer only contributions*
- *Create invoices for employer only contributions, based on two categories:*
- *Where clergy compensation is provided, parish calculates the appropriate employer amount; OR*
- *Where clergy compensation is not provided, parish contributes a "fixed" contribution amount determined by the Pension Board based on average compensation calculations.*
- *Show the payment information details of the last six months on the employer invoice.*

As a reminder, any member can text the office or text the Pension Administrator Michael Stieglitz directly at 516-464-0415.

Metropolitan Council Meeting (oca.org)
October 11, 2023

The Pension Board made the recommendation to continue the $9,000/month contribution from the Central Administration to the Pension Plan to offset administrative costs, which began on January 1, 2023, by the decision of the Metropolitan Council at its Regular Fall 2022 Session. Further, the Pension Board recommended an additional 2% in employer contribution in line with the decision of the Metropolitan Council at its Regular Fall 2022 Session. According to that decision, the Council resolved "To approve a 2% increase of employer contributions for participants in the OCA Pension Plan effective January 1, 2023 and an additional 2% increase effective January 1, 2024, subject to review of parish compliance of participation in the OCA Pension Plan at the regular Fall 2023 Session of the Metropolitan Council."

Having received and considered the report and recommendation of the Pension Board, the Metropolitan Council approved its recommendation to continue the $9,000 contribution in 2024, and to raise the employer contribution level from 12% to 14% beginning on January 1, 2024.

... there was mutual consent by both bodies at the need to establish a Funding Improvement Plan (FIP) geared to solve the Plan's funding deficit. The Pension Board will work together with the actuary on the FIP once the actuarial analysis is received. It is anticipated that the Pension Board will present a draft of the Funding Improvement Plan at the Regular Fall 2024 Session of the Metropolitan Council.

The Metropolitan Council and Pension Board agreed that unstable compliance levels have had and continue to have detrimental effects on the Plan. Participation in the Pension Plan is a requirement for all eligible clergy and lay employees of the Orthodox Church in America.

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Lord's unfailing care.

By the end of the 1970s and into the 1980s, clergy care in all its aspects was being more widely discussed. Modest, though often unenforced, clergy compensation guidelines were established. Some dioceses began to require an auto allowance for clergy. In some areas clergy vacation guidelines were introduced. Some hierarchs more assertively supported the AAC mandated participation in the Pension Plan.

In the spring of 1999 I was elected for a three-year term on the Pension Board. At my first meeting I was appointed secretary. This forced me to learn quickly. Out of necessity I quickly learned terms, procedures and the intricacies of operating a pension plan, the problems and shortcomings of the operation and of both parishes and Plan participants.

At the next AAC I was elected to a six-year term, then was chosen by Board members to be the group leader. Because the AAC was postponed for a year, I was on the Board for ten years, the last seven of which were as Board leader and for while Plan administrator to fill a vacancy. I was then term-limited off the Board.

Today we have everything pension-related online. We can do modeling, look up our own account, etc. How does that differ from when you started to serve?

When I was first on the Board, then later leader, records, transactions, and correspondence, were all hard copies. Little was digitized. Even email communication was used less often and not by everyone. If a priest was contemplating retirement and wanted to have an idea of what his pension would be, he would make a request, in writing, that would then be communicated to the actuaries. It would take a week to ten days to get figures and it would cost the Plan several hundred dollars for each evaluation estimate. As records and communications began to be computerized but awareness of cyber-security was minimal, several incidents of hacking and misuse of information took place.

It was a huge step forward when we transitioned to direct deposit for monthly pension benefits. Very few resisted and most pensioners welcomed the change. We weren't ready at that point to institute electronic Plan contributions from clergy and parishes. Today this all seems like stone-age stuff.

What were the biggest challenges to the pension fund when you served? In your opinion what are the biggest challenges today?

• Our OCA was struggling with financial matters and shortfalls. The Board was pressured to lend money to the Church. We had to assert the separateness of Plan assets from OCA funds. The Plan was (and is) not a lending institution. Plan assets are the exclusive property of participants. Further, if the Church were to default there would have been no way for the Plan to recover the assets that belonged to Plan participants.

• It was disappointing to find that there were those who wanted to 'game the system.' Some thought that it only mattered that they report and 'contribute high' during the last five years before their anticipated retirement. Under reporting and under contributing was an issue that cheated Plan assets and hindered asset growth. While it was always possible to make additional voluntary contributions, there were some who aimed for a larger long-term return by over contributing during their expected last five years. Paper records and paper calculations made it impossible to examine a lifetime of reporting and contributions, and there was dismay and occasionally hostility when the Plan administrator required ten years of IRS tax statements. Under reporting incurred a penalty and over reporting could not be permitted to increase a lifetime benefit.

• It was a challenge that met with a measure of resistance when the Pension Board successfully pushed for compliance with IRS reporting requirements and voluntary ERISA standards that the value of provided housing and housing allowances be included when calculating required contributions. This resulted in a significant benefit increase.

• Certainly the volatility of markets and investment growth is always a challenge.

• I expect that the most formidable challenge the Pension Plan and Board faces today is the same as that for us nearly two decades ago. The AAC has repeatedly mandated participation for clergy, parish-employed lay-workers, seminary clergy, faculty and staff. The Holy Synod has repeatedly confirmed this mandate. The failure of diocesan authorities to implement mandates for participation when clergy are assigned to parishes is irresponsible and ultimately not good clergy care. This was before, and is now, especially significant for newly ordained first-assignment priests. It is shortsighted, selfish and disobedient for willful clergy to 'do their own thing.'

What other AAC or hierarchical mandates are we free to choose from and to disregard? We have no idea about tomorrow. Yet we live lives of joyful repentance. We pray and fast in preparation for the next day's Divine Liturgy. We pay our auto and fire insurance bills- just in case. We enter the Fast on Forgiveness Sunday in hopes of rejoicing on Pascha. To live in faith today doesn't mean we shouldn't plan and prepare for a livable retirement.