



# SPRING 2024 PENSION OFFICE NEWSLETTER

## Plan Update

### Investment Performance

Stock market performance continued to vary greatly throughout last 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. Ongoing improvements in cash flow have again reduced monthly cash requirement from our investment portfolio.

The marketable securities portfolio, including the low volatility portion, managed by Morgan Stanley, earned 12.59%, net of fees for the 12-month period ending December 31, 2023. This compares to 15.25% earned for the same period by our benchmark representative of an asset allocation of 60% global equities, 35% intermediate bonds, and 5% cash. The benchmark earned 13.87% using the S&P 500 equally weighted performance, thus reducing the effect of the “Magnificent Seven” on the markets in 2023.

The performance of illiquid alternative investments is subject to delayed reporting of 1 to 5 months and therefore their recent performance is not yet reflected in the above Plan’s total performance. Because of this, the Plan’s performance is best evaluated over a longer period of time. These illiquid investments have produced an average net return of 10.37% per year during the 3-year period ending September 30, 2023. Our Plan’s benchmark for that period returned 3.06% per year.

*Update continued on page 2*

***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.***

## MC/Holy Synod Actions

On April 1-2, 2024, a joint meeting of the Holy Synod of Bishops, Diocesan Chancellors, and a representative group from the Pension Board, met at the Springfield VA Hilton to hear a presentation on actuarial science from David Jarret (an actuary and now Chairman of the Board of Trustees at St. Tikhon’s Seminary), a detailed update from the Pension Board on the current state of the Plan, a report from Gabriel, Roeder, Smith and Co. (“GRS”, current actuarial firm), and commentary by the OCA General Counsel, Mark Hamilton, on the issues.

The purpose of this meeting was an open discussion on the Pension Plan, presentation of the amendments to the Plan passed by the Metropolitan Council, and open discussion on moving forward. The following is excerpted from His Beatitude’s published statement following the meeting (editor’s italics):

“Based on the expert advice provided by the actuaries and Mr. Jarret, it is evident that stabilizing the Plan will require even greater efforts on our part to achieve the necessary participation levels among those eligible to participate. As we saw from the projecting tool presented by GRS, while cash infusions will help, *the most determining factor for stabilizing the Plan is increasing participation itself.*”

Upon the proposal of the Pension Board and the revision of the ad hoc group I appointed, the Metropolitan Council approved three important amendments to the Pension Document to address a number of different issues, ranging from clarification of definitions to compliance and funding needs. I received the vote of the Metropolitan Council on March 28 for the first two amendments. The Holy Synod, to whom I had referred the confirmation of the third vote, approved the third amendment on April 2....

...I want to take the opportunity to highlight some significant clarifications and changes:

- All age-eligible priests and bishops of the Church are *required* to participate in the Pension Plan regardless of whether they have secular employment

*Actios continued on page 2*

Update continued from page 1

### Fair Market Value of Assets

January 1, 2023	\$22,023,320
December 31, 2023	\$23,767,661
March 31, 2024	\$24,759,588

### Actuarial Interim Valuation

Our actuarial team at Gabriel, Roeder, Smith & Company (GRS) has completed the Interim Actuarial Update dated January 1, 2024. As with all actuarial reports, actual data from the past (2023) is used to project valuations in the future (2024 and forward). Highlights from the report:

- Employer Contribution rate increased from 12% to 14% January 1, 2024.
- Market Value of Assets increased from \$22.7 million to \$24.7 million, reflecting estimated rate of return of 12.1%.
- The accrued (present) benefit funded ratio increased from 38% to 40%.
- The projected (future) benefit funding ratio increased from 66% to 74%.
- Annual Funding Deficit is 10.4% of pay or \$2.2 million. It would take increasing combined contributions (participant and employer parts) to 30% of compensation to bridge that gap with no other revenue streams or increased participation. It is agreed upon by all parties that we will not go beyond the present 20% (6+14).
- Enforcing mandatory participation is the primary way to continue to close the gap between present funding ratio and future funding ratio and to reach fully funded (100%) status.

GRS has completed an application the board can use as a modeling tool to see the effects caused by and tradeoffs from changing variables. This tool was demonstrated for the Pension Board, Metropolitan Council, Diocesan Chancellors, and the Holy Synod of Bishops. After the demonstration, it was apparent that all projections must include mandatory enrollment of all eligible.

### Participation

There are currently 367 (34 participate in more than one employer) active participating and 30 inactive members for a total of 397 active/inactive participants. There are currently 242 monthly benefits recipients.

These numbers are from 301 “employers,” which includes parishes, dioceses, OCA Chancery, seminaries and pension office.

### Administration

**All members are reminded to PLEASE make sure your contact information (mailing address, phone number, email address) is accurate and up-to-date. Any member can call or text the Pension Administrator Michael Stieglitz at 516-464-0415. He can run projections of benefits and teach use of the member portal.**

*Actions continued from p. 1*

and regardless of the amount of their stipend or salary from the parishes where they are assigned.

- The exception to the above is for priests in the Diocese of Sitka and Alaska. Priests from this Diocese who are already in the Plan *do not fall under this exception.*

- Priests working at a mission or mission station who do not receive compensation are *not mandated* to participate in the Plan.

- *All full-time lay employees* of the Church (including of parishes, organizations of parishes, dioceses, seminaries, etc.) are *mandated* to participate in the Plan.

- The determination of compensation is made *without regard* to whether the employee is issued a Federal Form W-2 or a Form 1099, or any other form of reporting.

- The new definition of “Non-Compliant Eligible Member” refers to any employee who is eligible and received compensation but who fails to participate in the Plan as an active member because he or she fails to execute the member contribution authorization form.

- A member who fails to continue as an active member by not contributing, after a period of 120 days and following three written notices, *shall forfeit any benefit* derived from Employer and Member Contributions and shall only be entitled to the return of his/her Member Voluntary Contributions. This member will then be terminated from the Plan.

- Starting January 1, 2025, each Employer shall make an Employer Contribution to the Plan for each Inactive Member, Ineligible Member, and Non-Compliant Eligible Member equal to fourteen percent (14%) of the Member's Compensation on a monthly basis. This means that parishes and institutions with aged-out employees and employees who refuse to participate in the Plan are still mandated to remit 14% of the employee's compensation to the Pension Plan.”

Full text of His Beatitude's Letter:

<https://www.oca.org/news/headline-news/metropolitan-tikhon-issues-letter-on-recent-updates-to-the-pension-plan>