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## His Eminence Archbishop Elpidophoros of America pension plan Virtual Town Hall



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Archdiocese Headquarters

New York, New York

Beloved Brothers in the Lord,

I greet each and every one of you with love in Christ during this season of the Fast for the *Panagia*, in preparation for the most holy Dormition. I thank all of you – from what I understand, hundreds of clergy – who have joined in this webinar today.

The primary reason that I have asked to speak with you about the Pension Plan is that, even as I have continued to urge the Archdiocese Benefits Committee, your ABC, to address this ongoing crisis, recently a number of *Syndesmoi* of the Metropolis Clergy have expressed their concerns publicly, either to me, or to the ABC and the APC. Rather than address these concerns one by one, I thought it more equitable to convene as many of the clergy as possible in order to have an

open and frank discussion.

Before I commence with my remarks, after which I will open the floor to each of you via your text submissions, allow me a few introductory statements.

First and most importantly, in the spirit of “speaking the truth in love”, our aim today is to give an honest diagnosis and prognosis of the Clergy and Lay Employee Pension Plan. There are many rumors swirling around, fueled by fear and misunderstanding. Add to this mix an unhealthy portion of gossip, and it becomes almost impossible to achieve a realistic understanding of this issue. My first goal for today’s webinar is for you, the clergy of the Archdiocese, to receive accurate and verified information directly from me, your Archbishop.

It is only possible to chart a course for the future if we have an understanding of the past. There may be some ‘inconvenient truths’ that must be confronted in order for us to understand our options. I want to be clear though; the narrative that I will present to you today is not one of opinion, but of fact. The most important outcome of today’s virtual meeting is that we achieve an understanding that we must move forward together. My priority is your future, and the future of your families.

Secondly, I want to emphasize that whatever has happened in the past cannot be changed. We, as the clergy of this Archdiocese, the Body of Christ, gain nothing by assigning blame. We are called not to condemn, but to forgive with love in our hearts, and to learn from the mistakes of the past, so that we can move forward for the benefit of everyone.

Finally, I ask that you listen today with open minds and hearts. When I arrived a little over a year ago, I, like most of you, had little knowledge about the real facts of the issues facing the Pension Plan. Since my ascension to the leadership of this Archdiocese, I have asked for, and consistently pushed for solutions for the Pension Plan to be vigorously pursued. As you, the clergy, assess your options, I promise that I will work with you to find the best way forward.

Therefore, with these three basic assumptions in mind, allow me to begin by sharing with you what I have learned about the Pension Plan, its current status, and the ramifications as we go forward.

I have received a lot of data, information, and facts about the Pension Plan from actuarial experts, legal counsel, and financial analysts who are assisting the

Archdiocese and the ABC in their deliberations that I will share with you today. I am not an expert on these matters, but I have listened to the experts, and I hope you will as well.

The Archdiocese Pension Plan, established in 1973 to benefit all the clergy and the lay employees of the Archdiocese, has gone through many changes. The last amendment was on January 1, 2017. The Pension has always been a “Defined Benefits Plan,” the type used throughout America generally in the past. As the Detroit *Syndesmos* pointed out in their letter to the ABC and APC, such plans were used for many service-oriented organizations, whose employees forego financial gain in the interest of the public good. Obviously, this could be said for every clergyman. **It is important to point out though, that of all of the non-profit organizations in the United States, a recent survey indicates that only 3% are still operating a Defined Benefits plan.**

Furthermore, for the last three decades, the Pension Plan has been under the administration of the Archdiocese Benefits Committee – the ABC, which, as you know, is nearly exclusively made up of clergy elected to their positions by the *Syndesmoi* themselves, to represent the Archdiocesan District and the Metropolises.

The Administration Committee, responsible for the operation and administration of the Plan, and the Investment Committee, responsible for the management and control of the Fund, each consist of five members – three appointed by the ABC and two appointed by the Archbishop or his designee. As of today, the two members of each Committee that fall under my purview as Archbishop are those that were carried over from the prior administration.

I mention this in order to be very clear about who has the authority to make decisions for the Plan. **It is not the Archbishop or the Eparchial Synod. It is not employees of the Archdiocese. It is not the Archdiocesan Council or the Clergy-Laity Congress.** In fact, any discussion of the Pension Plan at the Clergy-Laity Congress will be held on the first day, and only as an informational forum. There will be no voting on the Pension Plan. **We rightfully acknowledge that it is the ABC — and the ABC alone — who have been charged by you, the clergy, with the fiduciary responsibility to oversee and administer this Plan, and it is the ABC who will lead the way with options for the future.**

We all know that as of today, the Pension Plan is gravely underfunded, with a deficit that is approaching sixty-five million dollars. The Plan was not always operating at a deficit, and there are distinct reasons for this deficit. Let us look at a timeline together that helps put this in context.

The Timeline Chart put up on the Screen

The chart that is now visible on the screen, for those of you viewing, shows funding levels of the Pension Plan beginning with the year 1989 through 2020, a span of over 30 years. As you can see, from 1989 to 1999, the Plan was consistently and adequately funded by all the sources of contribution, namely, the clergy themselves, the parishes, and the Archdiocese.

In the year 2000, we begin to see a decline, and in 2001, the liabilities of the Plan, that is, the amount of money the pension fund gives out, begin to outweigh the assets, or the amount of money being put into the plan. From 2001 until 2008, the deficit grows slowly over time, but not at the rate present after 2008. We must then ask ourselves:

What happened in 2008 that caused the precipitous underfunding from which the Plan has never recovered?

And why was this not addressed?

The first question is much easier to answer than the second.

In 2008, as you are all surely aware, there was the “Great Recession.” This loss in investment income was compounded by a decision to cease making the minimum contribution of the Archdiocese in accordance with a minimum funding standard, which has continued until today.

Additionally, if you compare the rates of return on the investment of the Plan, you will see that the average rate of return, the money made from the investments, from 2001 – 2018 was 4.26%. But for those same years, the average used for computing the allocation was 7.69%. The difference between these two percentages means that the Plan had overly optimistic investment return expectations. **Most of you probably did not even know until a few years ago that there was a funding gap growing every year. In addition, the members of the Holy Eparchial Synod at the time did not approve any additional payments in order to address this growing gap.**

By way of contrast, for the period between 1991 and 2000, the average rate of

return was 10.51%, while the average used for computation was 8.32%. This is one reason why during these years and the years before, the Plan did better.

To be clear, however, the funding of the Plan is not solely driven by investment returns. It is well known that every year, in the recent past, more money goes out than comes in. This cannot be solved by simply making up the difference. We also need to fund the deficit with interest. Another reason that more money goes out than comes in is that we have an aging population of participants with 37% of total participants receiving pension benefits, and of the participants that are actively serving the church, 60% are age 50 and older. And lastly, this type of a Plan has been expensive to administer.

Take the Screen share down

Now to the second question, why was this not addressed? One reason is that there wasn't adequate governance and oversight in the past, and while audits were conducted they were often late to be performed and therefore have limited usefulness. We may never know why the Plan slipped into its current condition, but one thing is abundantly clear, we have inherited a massive problem that must be addressed for the sake of all the clergy, both for those nearing retirement, and for those a long way off.

Therefore, my beloved brothers in the Lord, I ask you, where do we go from here?

As I said previously, we cannot change the facts. While our emotions may be very unsettled, they do not help us solve the larger problem. Our only choice is to move forward. And now we have to look at the realistic solutions to the problem that all of us have inherited.

Many of you are wondering: why can we not raise the funds necessary to offset the deficit? As an Archdiocese, we saved the Saint Nicholas Shrine at Ground Zero from calamity. Can we not do the same for the Pension Plan?

This is a good question, and there has been discussion of supplemental funding as an option. I will commit to all of you that I will personally assist in raising funds to save the Pension, **but there must be a viable fundraising plan that can be programmed into the future, and this plan must be initiated and approved by your ABC.** The Archdiocese cannot impose it.

While it is true that forty-five million dollars was raised to save Saint Nicholas, that money came from essentially the same donors who raised most of the first forty million, the very same stakeholders. In my first communication with you last year, I

commented that each of you, along with your parishes, had already worked so hard to raise money since 2014 for the Saint Nicholas project. That is why when it was time to raise additional funds, we did not come to you, but instead turned to our major stakeholders.

**We, the clergy, are the stakeholders of the Pension Plan, and the responsibility for the future of the Plan falls to all of us.** I will do my part. We need the Metropolitans to do their part, we need the parishes to do their part, and we will need every single priest of this Holy Archdiocese to be a part of the solution. And if there is to be a fundraising campaign, it must be planned and executed with a definitive viability, so that the creative ideas invested into the Plan now, can be successful in the future.

There are so many clergy that I have spoken to who know little detail of the Plan, and simply expect their benefits to be there when they retire. This approach can no longer be accepted by us, as clergy. We need to be active, and indeed responsible for the Plan and the decisions being made, for this is our future, and the future of our families. **Passive participation can no longer be accepted; we must now, each and everyone of us, become educated, become part of finding a solution, and then do everything we can to make that solution successful.**

But we also have to be realistic. Fund-raising will help, but will not solve the problem. Thirty-two million dollars **would have needed** to go into the Plan by the end of 2019 for it to be actuarially solvent. Mercer, the main company we are dealing with in conjunction with the ABC to evaluate our options, has said that ten million dollars, **plus** the costs of the ancillary benefits, meaning life insurance, disability and so forth, at an additional one million dollars, **plus** the current projected ABC administrative expenses, which come to over one million dollars annually, would need to be put into the Plan for the next 20 years at conservative investment returns of 4% if we wanted to save the Plan as it is. **That is twelve million dollars a year; an increase of approximately five to six million dollars in funding, that is needed every year for the next twenty years!** And even that does not provide assurance that the Plan will be funded. If it is missed in any year, the deficit continues to grow. The actuaries have also said that at the current funding level and with an average annual investment return of 4%, our Pension Plan will be completely depleted of all its assets by 2054.

At this point, there are many options being considered by the ABC, options that provide for benefits that can be reasonably assured for the clergy and are affordable by the parishes. Many of you are rightly worried that this will mean a

substantial loss to you and your families, but let me remind you, that whatever you have accrued to date is yours. Depending on the final plan, which will be the decision of the ABC – **not me, not the Synod, not the Archdiocesan Council or the Clergy Laity** – there will most likely be what they refer to as a “haircut” that will affect some, if not all of you and your future earnings. We, in conjunction with the ABC, are looking now at how to mitigate that effect and save the Plan while not altering your retirement benefits. This is not going to be easy. Remember, we inherited a massive multi-million dollar deficit of which the majority of you were apparently unaware. This did not happen overnight, and it will not be solved overnight.

In addition, it is our belief that no change should be implemented until there is some respite from the pandemic and a degree of normalcy returns to our parishes. We know that every parish is struggling to make ends meet, and this includes their contributions to the Plan. **That being said, we strongly encourage the ABC to work urgently in order to find the best approach to saving the Plan. A decision must be made soon, even if the implementation date is delayed, so that we can begin the important steps that will be needed to fund whatever solution is reached.**

I must be very clear with you on one inescapable reality: **if we do nothing, the Plan could be depleted as early as 2054. That is 34 years from now.** This issue is something that affects almost every single member of our clergy brotherhood. **We must act responsibly. We are called now as a brotherhood to act with gratitude and commitment to our clergy who are nearing retirement after a lifetime of service. At the same time, we are also called to act efficiently and progressively so that our younger clergy have the opportunity to secure financial stability for themselves and their families. And we must, above all, act with full transparency and accountability.**

In that same spirit of accountability, I am happy to relate that the ABC has just concluded the audit of the Plan for 2017, as these audits are necessary for there to be a realistic view of what is really going on with the Plan. We all understand that the members of the ABC are clergy, who are not financial experts. The members of the ABC count on good information and realistic financial forecasts, and the rest of the clergy brotherhood counts on their wisdom in discerning these presentations. The Archdiocese team, working together with the ABC, is now providing these resources, so that we can address the emergency that is before us all.

At the last Clergy-Laity Congress in Boston in 2018, the issue of the Pension Plan was raised, but perhaps not as declaratively as it might have been. So that all of

you know, at the last Archdiocesan Council meeting in June of this year, a resolution was approved to change how the Pension Plan is funded to be more equitable to parishes and to ensure funding for the pension goes to the Plan. Before the Archdiocese or the Metropolises would utilize any monies from the Total Commitment Program, the payment to the Pension Plan would be made first. **This is an historic change and a solid commitment. No more withholding from the Pension Plan for the operational expenses of the Church. Your families and the Pension Plan come first.**

My brothers in Christ:

No one individually caused this problem, but all of us collectively must find the solution. Please know that your concerns are my concerns, and I believe I can speak for Eparchial Synod when I say that they are the concerns of every Hierarchy.

As we move forward, I urge you to be in direct contact with your ABC representative and let your views be known. **This is your decision**, and you must have the confidence in your ABC for them to make the determinations that will shape your future. There will be many options on the table, **and the final decision will be yours.**

I implore you not to give in to attacks or idle talk, but rather work together in hope and in expectation that together we can solve this crisis.

I will now ask Father Evagoras to facilitate the Question and Answer portion of the webinar. Please remember, our goal is to find solutions.

I am committed to stay on this webinar until the last question is answered to the best of our ability. We are recording this webinar so that should questions arise that need further explanation, we will have those questions and will work with the ABC to find the solutions.

Father Evagoras, let's commence.

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